MARKET ACTION TO TAKE NOW ★

YEARS
SERVICE

The MAGAZINE of WALL STREET
and BUSINESS ANALYST

APRIL 1, 1944 50 CENTS

Announcing New Series!

Selecting Best Stocks in Most Promising Industries

In This Issue

Which Leader? — for Income
Which Runner-Up? — for Profit

in the BUILDING INDUSTRY

★

What Latest Balance Sheets Disclose for 10 Important Companies
By Stanley Devlin

★

How Much Government in Business?
By E. A. Krauss

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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U. S. STEEL REPORTS

to its 340,498 employes, its 222,602 stockholders, and to the public

U. S. Steel's employes averaged 340,498 in 1943. They established in 1943 an all-time ingot production record. 100,000 men and women of U. S. Steel are in the armed forces. To replace these employes, and to meet manpower requirements, nearly 125,000 employes have been trained by U. S. Steel. Approximately 5,000 demobilized servicemen have been re-employed.

	Dollars in Millions	
What we received	*1943*	*1942*
for products and services sold	$ 1,977	$ 1,863

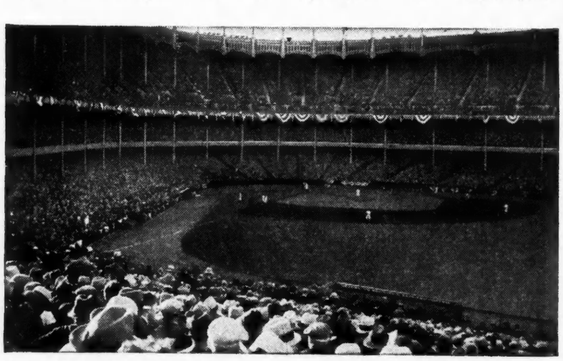
What we did with the money

	1943	1942
Wages, salaries, social security, and pensions	$ 913	$ 783
Taxes—Federal, state and local	130	201
Products and services bought from others	707	649
Wear and usage of facilities	134	128
Estimated additional costs caused by war	24	25
Interest on indebtedness	6	6
Dividends on cumulative preferred stock	25	25
Dividends on common stock	35	35
Carried forward for future needs	3	11
Total	$ 1,977	$ 1,863

WHO GOT WHAT

	Dollars in Millions 1943	*1941*	*Change since 1941*
Received from customers	**$ 1,977**	$ 1,622	**+ 22%**
Disposed of for:—			
EMPLOYES	**913**	628	**+ 45%**
TAXES	**130**	169	**— 23%**
PRODUCTS & SERVICES BOUGHT	**707**	580	**+ 22%**
OTHER COSTS	**164**	130	**+ 27%**
DIVIDENDS	**60**	60	**none**
FUTURE NEEDS	**3**	56	**— 94%**

Ingot Production (Net Tons) 1943 **30,540,427** 1941 **28,963,018**



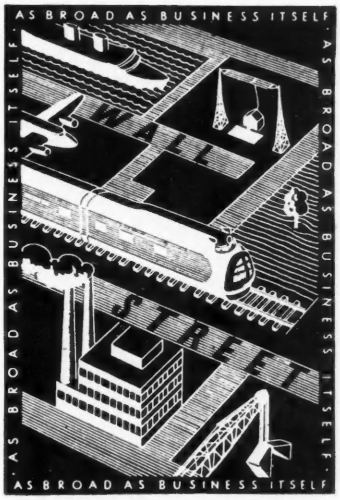
U. S. Steel's 222,602 stockholders would fill three Yankee Stadiums. For this army of owners, U. S. Steel earned in 1943 the smallest return on investment (3.97%) in any year of large production. Rising costs in 1943, pushing against price ceilings, resulted in lower net earnings and therefore in lower taxes. There were $8 million less for future needs than in 1942 ($53 million less than in 1941), despite a substantial increase in receipts in 1943.

UNITED STATES STEEL

AMERICAN BRIDGE COMPANY · AMERICAN STEEL AND WIRE COMPANY and CYCLONE FENCE DIVISION · CARNEGIE-ILLINOIS STEEL CORPORATION · COLUMBIA STEEL COMPANY · FEDERAL SHIPBUILDING & DRY DOCK COMPANY · H. C. FRICK COKE COMPANY · GENEVA STEEL COMPANY · MICHIGAN LIMESTONE & CHEMICAL COMPANY · NATIONAL TUBE COMPANY · OIL WELL SUPPLY COMPANY · OLIVER IRON MINING COMPANY · PITTSBURGH LIMESTONE CORPORATION · TENNESSEE COAL, IRON AND RAILROAD COMPANY · TUBULAR ALLOY STEEL CORPORATION · UNITED STATES COAL AND COKE COMPANY · UNITED STATES STEEL EXPORT COMPANY · UNITED STATES STEEL PRODUCTS COMPANY · UNITED STATES STEEL SUPPLY COMPANY · UNIVERSAL ATLAS CEMENT COMPANY · VIRGINIA BRIDGE COMPANY

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* LAURENCE STERN, *Managing Editor*



The Trend of Events

REALISTIC TRADE OUTLOOK . . . We have perhaps had too much discussion of post-war foreign trade possibilities in theoretical or highly generalized terms. In a recent address before the Export Managers Club in New York City, Mr. W. E. Knox, of the Westinghouse Electric International Company, got down to cases.

Because of the growth of new services provided by the United States to recipients of lend-lease aid and because the war-spurred development here of substitute materials will tend to curtail future availability of dollar exchange in other countries, he said that the prospect for foreign trade "is not good for a long period of time."

As compared with 1939, he added, post-war exports to England, formerly our best customer, may be sharply reduced. Exports to Latin-American countries will be somewhat greater than before the war until the abnormally large dollar balances—perhaps $2 billion or more—built up by these countries during the war period are used up in equalizing their probable adverse post-war balance of trade. Mr. Knox sees exports to Russia largely limited to exchanges for furs, minerals and gold; exports to India and China about the same as pre-war; trade with Japan and the destroyed countries of Europe largely limited to charity.

Whether so skeptical a view will prove correct, of course remains to be seen. Much depends upon the level of prosperity in this country and the resulting need for imports. There can be no disagreement on the economic fundamentals involved. Certainly we can not have self-financing exports larger than before the war unless the total of dollar balances available to foreign countries is larger than before the war. This will depend mainly upon the volume and character of the imports we are able and willing to take, the volume and character of American capital investment in foreign countries, and the volume of American tourist expenditures in foreign countries. There are some hard-headed business men in the air transport field who are convinced that the latter will in a very few years become a quite sizable item in the balance of international payments as a result of expansion in air passenger traffic.

WALLACE ON BUSINESS . . . The numerous speeches being made by Vice-President Wallace—the most recent major one having been before the Post-War Conference of Independent Enterprise of the American Business Congress in New York—can be taken as a pretty reliable forecast of Government economic policy after the war—if that policy is shaped either by the present Administration or any "liberal" successor administration.

Mr. Wallace is an eloquent champion of the "common man." That's most of us, as a matter of fact. We all want to see a high level of consumer income. Business can not prosper without it. The disagreement begins when one gets down to discussion of means and methods. Mr. Wallace believes in free enterprise, but he also believes in more Federal control of that enterprise than most business men believe is necessary or desirable. The business

leaders who command respectful public hearing today—such as Eric Johnston and Paul Hoffman—believe in free, genuinely competitive private enterprise, but don't go along with Mr. Wallace on the degree or methods of Federal "intervention."

Mr. Wallace, for one thing, argues that the Government plants must be kept in full production, should not be sold, should be leased to "independent" producers—inferentially small—who will create new production and new competition. The practicability of such a course is open to debate.

Second, among five points made, he says there must be more adequate financing machinery to supply capital to small business. If this can't be done privately, he favors it being done by government agencies. Whether elected or appointed public officials would be better judges of sound credit risks than private lenders is open to obvious question. For that matter, we are not aware that there has ever been made a reliable, factual analysis of whether it is lack of capital that ails small business; nor are we too sure it is as perilous a state as Mr. Wallace implies.

Third, Government surplus goods should be equally accessible to all, including small business. There is nothing the matter with that, but neither is it especially relevant to the major problem of maintaining high employment and national income.

Fourth, in the interest of free competition, all patents should be "a part of the public domain"—subject to open licensing to all applicants at a reasonable fee. Without arguing the ethical aspects, we wonder whether the economic results would be nearly as great a contribution to prosperity as Mr. Wallace seems to think.

Fifth, Mr. Wallace favors tax policies that will bring in the necessary revenue, encourage maximum consumption and stimulate productive private investment in new undertakings. Those are generalities to which all can agree but it leaves the specific questions—that is, just what changes in present tax concepts are desirable and feasible—untouched; something for a future Congress to grapple with.

WAR FINANCING . . . The financial demands of the war will continue insatiable until victory is won. With the Fourth War Loan drive but recently ended, preliminary plans for the Fifth War Loan are already shaping up in Washington. It can be expected to be launched either in late May or by mid-June, depending upon the rate of Treasury expenditures over the next few weeks. The goal will be not less than the $14 billion figure of the Fourth Loan. Since the latter was over-subscribed by $2.7 billions, it is reported that the Treasury is leaning toward an official objective of $16 billion in the next loan.

Whether it is $14 billion or $16 billion, the continuing large accumulation of savings gives reason for confidence that it will be at least fully subscribed, even though it will come relatively soon after the last loan. This continuing absorption of surplus war-time income by bond purchases is a vital element in preserving economic stabilization. On the latter score our collective success to date has been indeed notable—more so than many people realize.

Federal taxes are now being collected at a rate approximating $42 billion a year and war bond sales to buyers other than the commercial banks are at a rate of some $45 billion a year, making a total of $87 billion a year in non-inflationary financing of the war effort. That leaves but a relatively moderate gap in financing needs to be filled by bank credit.

Many months ago President Roosevelt asked for a $16 billion improvement in the budget position via higher taxes and/or increased savings in war bonds. Later this was reduced to a request for $10 more in taxes. Congress enacted about $2 billion more in taxes. Behind all the furore and controversy over that tax bill, the fact is that the result that Mr. Roosevelt wanted has come about, though not in the way he asked. Since he first raised the issue, inflationary war financing has been reduced by fully $16 billion a year as a result of lower spending than had been estimated, greater yield from existing taxes than had been estimated, increased savings in war bonds and a quite modest increase in taxes.

POST-WAR COMMODITY PRICES . . . The Life Insurance Companies of America recently sent a questionnaire to a large number of the most prominent economists in the country asking their opinions on the prospect for inflation control. The replies were in substantial agreement that control efforts to date have been reasonably successful and probably would continue so for the rest of the war. But there was a wide difference of opinion about commodity price prospects after the war, with a majority believing that considerable further price rise will be likely unless effective Federal controls are extended into the consumer-shortage period.

Most manufacturers say that resumption of production of civilian durable goods, even of the same types or models previously made, will require prices at least 20 per cent higher than when production was suspended, in order to meet higher producing costs. A press report states that the Westinghouse Economic Research Committee expects a price level from a third to one-half higher than in 1940.

Certainly the cost of living can not go down for the rest of the war nor for the two years or so after the war that probably will be required to bring civilian output into reasonable balance with demand. At best, therefore, there is an extensive period ahead during which high living costs and high taxes will continue to bear onerously on all persons with fixed incomes, including investors who are either wholly or importantly dependent on bond interest or preferred stock dividends. If there is the further post-war price rise that some of the economists fear, the plight of many fixed-income people will be serious indeed.

However, this publication continues to take a middle-road view of the prospect, believing that sensible Federal controls will surely be maintained as long as necessary, and that their relaxation will find our enormously productive industrial system ready to supply at fair, and eventually declining, prices all the goods that the markets can take.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 650. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, March 27, 1944.

As I See It!

AMERICA'S FOREIGN POLICY

BY CHARLES BENEDICT & ROBERT GUISE

DOES the United States really have a foreign policy? More especially, do we have a forceful and vigorous foreign policy? This question today is being asked in many quarters and recent world-political developments have no doubt contributed tc uneasiness on that score. To the writers, the answer is definitely affirmative.

True, Secretary of State Cordell Hull's seventeen point memorandum on foreign policy, in recognition of growing public demand for a more detailed exposition, constitutes merely a restatement of fundamentals, a summary of basic points of policy defined publicly over the past two years and therefore well known. But if as such, it fell short of expectations of a more informative declaration, it behooves us to consider under which circumstances it was made. However, general in scope and expression, it would indeed be fallacious to conclude that a definite policy is lacking.

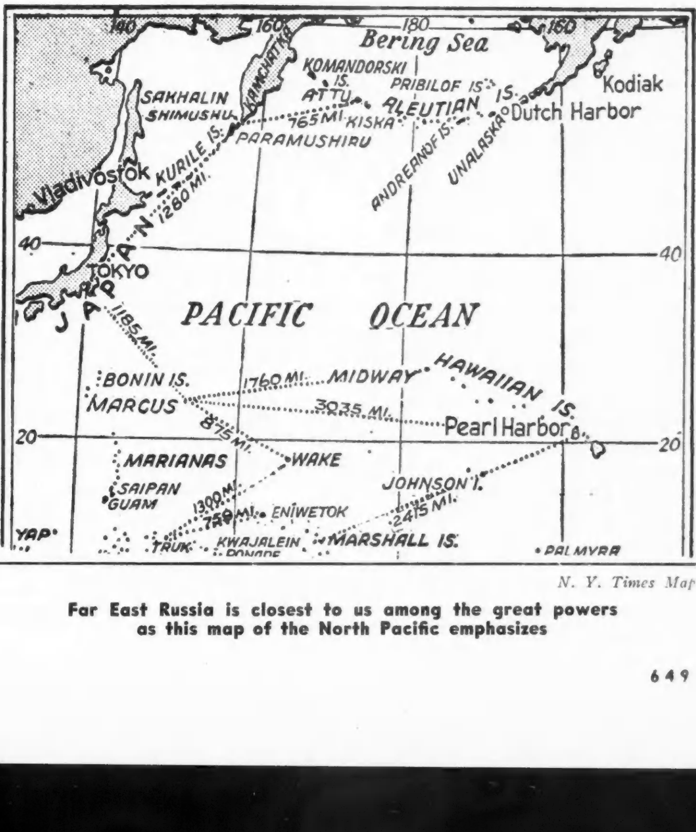
Finding ourselves in the midst of a coalition war and on the eve of momentous military developments with a decisive bearing on the very politcal problems which are stirring public consciousness, it would seem neither timely nor politic for our Government to enter into a detailed exposition of policies which, so long as subject to military decisions to come, must necessarily remain tentative and elastic. And clearly, in taking the public into its confidence now, the Government would gravely jeopardize its freedom of action so necessary in the shifting pattern of world events.

Rather, we must be prepared to adapt our policies to realities as the war progresses. While our fundamentals stand, and Secretary Hull is authority for that, their implementation must needs follow future actualities rather than a preconceived rigid pattern likely to crack under the first impact of severe stress. And stress, let's be sure of that, there will be.

It is unfortunate, however, that the Government's understandable reluctance to furnish fuller information has created the impression that in non-military foreign policy we are floundering—playing second fiddle to both Russia and Britain. At present, this appears to be the chief point of issue, together with fears that we may eventually be committed to settlements which later we may have neither the desire nor the power to enforce. Seemingly, this impression is the direct outgrowth of recent signs of friction with our Allies on important matters of policy. If so, it would be wrong to overestimate their significance.

Divergent views on policy, even among Allies, is something that must be expected in this complicated world of ours. The interests of other powers, their ideas and judgments are bound at times to clash with our own views as to policy and procedure. Clearly, no collaboration of the minds could ever be had if we were to attempt to hold rigidly our ground, just as no one of the Allies can expect to dominate the coaliton politically. Other views, even if we differ, at least deserve consideration; as frequently in politics, it is a matter of give and take. Realizing this, it would be foolhardy if our Government were to commit itself to a rigid line of policy which could only be maintained with the greatest difficulty, if at all, and might seriously disturb the harmony in the Allied camp. Obviously, as long as decisions are in the making and everything is in a state of flux, a wise Government cannot possibly go beyond adumbration of fundamental policy as far as public pronouncements are concerned.

If we occasionally differ with our Allies, it should be borne in mind that they are sometimes subject to internal stresses running counter to official policy which cannot always be ignored, just as our Government cannot afford to neglect important voices at home. Were any Government rigidly committed to definite patterns of action, such stresses eventually would reach the breaking point, with deplorable results. In a world rapidly approaching crucial decisions, political resilience is no less important than flexibility in the strategic field. No responsible Government can (*Please turn to page* 694)



N. Y. Times Map

Far East Russia is closest to us among the great powers as this map of the North Pacific emphasizes

Market Action to Take Now

The performance seems to us unimpressive and shows some tentative evidence of toppiness. We do not favor being fully invested here and suggest paring down commitments by those who have not heeded our previous advice to maintain a conservative liquidity.

BY A. T. MILLER

It was nearly three weeks ago that the market emboldened the bulls and put the skeptics on the defensive by an upside "break-out" on enthusiastic volume. Over the past fortnight the volume has remained rather heavy but the performance has been a churning affair, decidedly unimpressive in net result on prices.

In our last previous analysis we said that we remained to be convinced that the movement represented a renewal of sustained and extended advance, but we thought it likely that the rally would carry to or moderately above the 1943 high of 145.82 in the Dow industrial average. The pattern and character of technical developments over the intervening two weeks make us more, rather than less, cautious. It now looks less likely that the industrial average can duplicate the high of last July; and we feel on stronger ground in doubting that a broad upward swing is in the offing.

Though the evidence certainly can not be said to be conclusive as this is written, we believe it is prudent to assume—on the basis of the dubious, even though tentative, current technical action—that the irregular and selective recovery since the end of last November is merely an intermediate phase. Moreover, we are inclined to assume—again on partial and tentative evidence—that this intermediate upward phase is now either in process of topping out or is fairly near its top both in points and time.

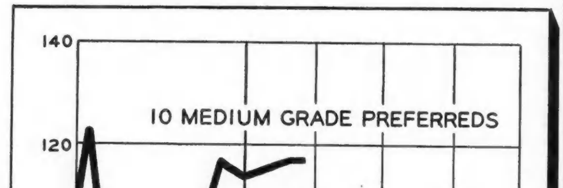
Over this past fortnight the net change has been a dip of 1.25 points in the Dow industrial average; a further rise of 1.14 points in the rail average; decline of .34 of a point in the utility average; gain of .70 of a point in our inclusive index of 283 stocks; dip of .04 of a point in our index of 100 high-price stocks; and gain of .63 of a point in our index of 100 low-price stocks. The industrial average as we write is still 6.63 points under its 1943 high; the rail average is 1.83 points above its 1943 high; our index of 283 stocks is 2.5 points below former major high; index of high-price stocks is 1.66 points under the same reference point; and index of low-price stocks 1.39 points below.

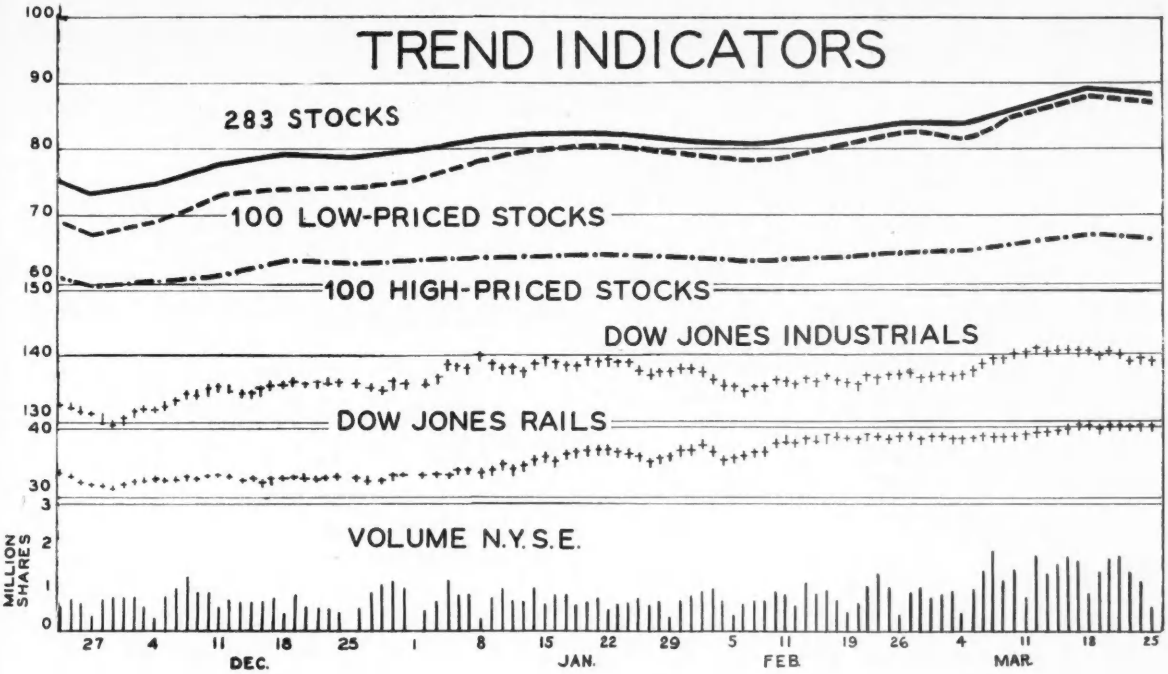
The market seems jumpy and a bit nervous as it strives to interpret all bits of news and opinion relating to the coming invasion of Europe. On one recent day the advance report that Churchill would make a broadcast speech brought considerable profit-taking and precautionary moving to the sidelines—as well as a rather surprising volume of sudden telegrams to brokers and advisory services from jittery clients all over the country.

The record of daily price changes in the averages over this fortnight can hardly be inspiring to bulls. Here it is for the industrial average for twelve trading sessions in sequence from March 13: up .56; down .63; up .34; up .20; down .11; down .50; down .41 up .31; down .22; down 1.03; up .33; down .09. No advance for more than two consecutive sessions; up on five days, down on seven.

Even the rails, though in much greater speculative favor, appear to need frequent resting periods. This average during the period under review advanced in seven sessions, declined in five; and, excepting for three sessions of consecutive advance on March 15, 16, and 17, was limited otherwise to a scattering of one-day up moves.

There has been considerable speculative activity recently in low-price stocks of quite doggy character. At the recent highs, made in the week ended March 18, our index of low-price stocks was 20.31 points above the index of 100 high-price stocks. This is a slightly greater spread in favor of the more speculative section of the market than prevailed at the highs of these two indexes last July, and only a trifle less than the widest spread seen at any time on the enthusiastic advance—spear-





headed by low-price stocks—in the forepart of last year.

In the best recent week, despite advances in our indexes, the number of stock groups showing above-average strength was substantially exceeded by the number of groups that lagged. This pronounced group divergence does not look bullish to us, and often has been present in topping markets.

Meanwhile, the majority of "leader" industrials persist in getting nowhere. Here is a partial list of well-known issues which have not yet gone higher than their best levels of January: Allied Chemical, Allis-Chalmers, American Can, American Tobacco, Coca Cola, Corn Products, General Foods, General Electric, Dow Chemical, Eastman Kodak, International Harvester, International Business Machines, International Nickel, Montgomery Ward, J. C. Penney, Sears, Roebuck; Standard Oil of New Jersey, Texas Company, Union Carbide, U. S. Gypsum, U. S. Steel, Woolworth. Many others have gone only slightly above January prices.

As should have been expected, Mr. Churchill did not tell us—or the enemy—anything about the coming invasion, except that it is coming. Indeed, he warned us that, in order to baffle the enemy, we can expect "many false alarms, many feints and dress rehearsals." That statement, plus emphasis on the difficulties of the vast amphibious operation, *might* seem to project invasion day a goodly distance into the future—but nobody can guess. We know invasion weather is not now far off and that events on the Rumanian border, forcing Hitler to divert important reserves to defense of the Balkans, are ever more insistently inviting Allied action in western Europe at the earliest possible time.

At most, it can hardly be more than a matter of weeks before the launching of the supreme effort to knock Germany out of the war. Probably for many days after the initial landings, the outcome will be in doubt. Under this suspense, a restrained or reactionary market is much more likely than an advancing market. If the invasion effort should fail, that would be definitely bearish—making the duration of the war (and of war taxes) a decidedly gloomy prospect. If it should be highly successful, business men and investors would have to come to grips promptly with all the problems of "unwinding the war" and of industrial reconversion.

It may be urged that in the long, but moderate, market readjustment since the fall of the Mussolini regime last July, all the uncertainties of the termination and industrial demobilization period have been fully discounted. We doubt it. And whether or not they were fully discounted at last November's lows, one can properly reason that they certainly are less cautiously discounted at today's higher prices.

There are, of course, some good bullish arguments for the longer term: A probable extended period of post-war prosperity on the base of a greatly inflated monetary structure and huge accumulated needs for civilian goods; and an indicated political "trend to the Right." We take no exception to this long-range projection—except that in application to present realities in the war and in stock prices it seems to us to represent counting the bullish chickens quite a bit too far ahead of their hatching.

We do not, of course, know whether this market is heading for anything like a nose dive. It may be that only a great news shock, entirely unpredictable, could break it violently and generally. In the absence of such a psychological shock, it may be that the most bearish contingency is a possible trading-range reaction, within the limits of the pattern set by the high of last July and the low of last November. Meanwhile, it is also possible that the market will make another brisk try at the upside—conceivably with a period of strength and big "blow-off" volume. But cash indubitably is now the safest thing to hold. For those who have not heeded our previous advice to build up conservative liquidity, we believe this is a good time to pare down commitments.

Monday, March 27.

Selecting Best Stocks in the Most Promising Industries

No. 1 Choice—BUILDING

Our Two Stock Selections: Bigelow-Sanford, Celotex

BY WARD GATES

Editor's Note: This is the first of a series of articles on industries we believe most promising from an investment-speculative point of view. From each, two stocks will be selected: one, our conservative choice for income and appreciation; the other, our choice for more speculative investment. For guidance on timing of purchases, follow the A. T. Miller market analysis in the forepart of each issue of this publication.

BUILDING operations are now on a much smaller scale than they were in 1942 and the first part of 1943, and the trend is likely to continue downward until after the ending of the European War. Earnings of many building supply companies have reflected this, with some showing much smaller earnings in the last quarter of 1943 than in the first three months.

This state of present fact, however, should not obscure the investment and speculative possibilities of many of the leading building supply and household equipment stocks, for it is practically certain that the postwar years will see the greatest building boom in the history of this or any other country. Public works on a huge scale are planned, while the erection of private homes and apartments is predicted in figures from 5,000,000 dwellings to be put up within two or three years after the war to estimates that the total will be 20,000,000 in a ten-year period. The amount of material that will be needed will be so vast as to insure capacity operations of many building supply and home furnishings companies for at least a few years after the war ends, and possibly for the ten-year period which some predictions cover.

Those who might doubt the possible size of the coming boom in building should examine the resolutions of hundreds of municipalities regarding public works to be "started as soon as possible after the war ends." Among other things, many of the larger cities have made definite plans for wholesale destruction of slum areas, to be replaced with new housing. Nearly every large insurance company has undertaken preliminary work for large housing projects. The national and state governments also have their construction work definitely outlined. Some of it is to supply employment to take the place of war work, but in many cases, it represents buildings, airports, etc., which will be urgently needed.

To select the investment stock which should be in the best position, and the most attractive one from the point of view of market possibilities, is not easy, for it might be said that almost all of the building supply and home furnishings issues have their good points for the time when the building boom is in full swing. Probably the best investment issues among the building supply stocks are Johns-Manville and United States Gypsum, but both of them may have gone a long way in the direction of discounting their future, and at present prices and dividends, they give a low yield, while there is not likely to be any increase in the dividend on either for at least a year after the boom in building is in full swing. Therefore the stock of a floor-coverings manufacturer has been selected as our investment choice: Bigelow-Sanford Carpet. For longer term appreciation promise, our speculative choice is the common stock of Celotex Corporation. The position and prospects of both are such that they may be able to start their "post-war boom" before the war actually ends.

Bigelow-Sanford Carpet is heavily engaged in war work now. It was among the first, after Pearl Harbor, to convert its plants to work for the government, making the necessary changes so that blankets could be manufactured on looms formerly used for carpets and rugs. It also turned some of its machinery to making cotton duck, a material which the Army and Navy find needed in dozens of ways from knapsacks and gun covers to large tarpaulins and tents. Radical changes in the looms were completed before the end of 1941, and in 1942 over 5,000,000 square yards of heavy duck had been completed and delivered, and in the same year, a huge number of wool blankets were made. The 1943 production was also on a very large scale for the armed forces. This government work has not been as profitable for Bigelow-Sanford as its normal, peacetime work in carpets and rugs, but it has resulted in fair per share earnings.

The war work, however, has not offset the sharp decline in civilian business. In 1942, civilian business was $30,737,449 and war work $10,773,945. In 1943, civilian sales declined to $10,648,066 and war work increased to

$27,019,570, but the total of both lines of activity of $41,-511,394 in 1942 was followed by a 9.3% decrease to $37,-667,636 in 1943.

Civilian demand would allow far more work in carpets and rugs now, as the demand is large and stocks in the hands of retail distributors is small, but the available raw materials supply is limited. This seems like a paradox, as it is known that the wool from Australia and South America is piled up in warehouses, as is the domestic production, but the government has not released it except on a very minor scale, saving the huge supply against possible prolongation of the war and future needs for huge numbers of blankets, uniforms, overcoats, etc., for the armed forces of this country and our Allies. Bigelow-Sanford and other carpet and rug makers have made representations to the government to release more wool and jute for civilian use, with hopes that this will be done as soon as there are more definite signs of the ending of the European phase of the war. If this does develop, it would mean that Bigelow-Sanford can start on its postwar plans, which have been ready for many months, before the war is actually over.

Large Future Demands

Carpets and rugs are more than just for the needs of the home. Hotels, offices, public buildings, trains and ships use huge amounts, and there is an enormous and insistent need for replacing those which have been worn out during the past few years. A shortage of jute, however, is more serious than the wool situation, where there is a supply that is not being made available. The government offers little hope for an early release of such jute as would be needed in the floor covering trade, hence the demand for replacements will have to wait until after the war ends. Therefore, with the war's ending, this replacement demand alone promises to give the carpet makers a long period of activity, with the new homes and apartments later to keep the floor covering industry busy for years.

Bigelow-Sanford had a mixed earnings record over the past fifteen years. The building and spending boom of the 1920s had an adverse effect on earnings of the company at the beginning of the 1930s, reflecting the sudden economic decline of the country, but 1933 was a good year and earnings were $3.12 a share on the common stock. In 1934 and 1935, only minor earnings were reported, then in 1936, income jumped to $5.14 a share. In 1937, earnings declined to $1.29 and the economic slump in 1938 was reflected in a deficit of $5.26 a share. Then, Bigelow-Sanford had three of its best years, showing net on the common of $6.44 in 1939, of $6.11 in 1940 and of $6.01 in 1941. As stated above, war work proved less profitable, and the 1942 net was $4.37 per common share, while a further decrease took place in 1943, with the net profit, from operations alone, equal to only 41 cents a share, but refunds of taxes equal to $2.07 a share brought the total for the year to $2.48.

Prospects for 1944 earnings are somewhat more favorable, but it is not likely that government work will bring anything like the normal earning power back, if the company does most of its business on cotton duck and blankets. Indications of the ending of the war in Europe during this year, however, would make the near-by earnings outlook brighter. It is for its postwar income possibilities, therefore, that the stock looks attractive.

Dividends in the 1920s were quite large on Bigelow-Sanford common, but after the $6.00 per share paid in 1929, they have not approached that figure since, and in some years of the 1930 decade, they were omitted. When earnings picked up, larger payments were made, with $3 in 1936 and $3.50 in 1937, but the 1938 slump caused another suspension of dividends that year. Subsequent disbursements were $3 in 1940, $4 in 1941 and $2 each in 1942 and 1943.

The great strength of this company in its asset position is another reason for considering the common stock as among the best in the building and home supply groups. At the end of 1943, against total assets of $28,669,251 the only offsets were $2,229,206 current liabilities. This meant over $1,000 a share in net asset values back of the preferred stock and $75.89 a share back of the common stock.

Current assets at the end of 1943 stood at $19,490,216, consisting of $2,659,119 in cash, $1,050,000 U. S. bonds, $4,124,567 receivables and $11,656,530 inventories. The policy on inventories of "first in and first out" in valuing them and of carrying them at cost made the sum stated here as less than the actual value on December 31 last, and actually inventory values at the current market were well over the figure given. After deducting current liabilities, the working capital figure of $17,261,010 equalled over $650 a share on the preferred stock and, after deducting the par value of the preferred, equal to $46.62 a share on the common. Figured on the common without deduction for the preferred, it was $55.01 a share.

We are no engineers, so cannot speak authoratively on the real valuation of the fixed assets of the company, but the 1943 balance sheet showed them written down by over 70%. This seems excessive, but only engineers could pass on this. The land and water rights are carried at $976,286 and building and equipment at $28,182,697 for a total of $29,158,965. From this is deducted $20,957,273 for reserves for depreciation, amortization and revaluation, with the net balance sheet figure left of $8,201,692. The plants include 75 acres of land and 58 factory buildings at Amsterdam, New York, also 37 factory buildings on 125 acres at Thompsonville, Conn. In addition to these very large establishments, the company has warehouses and salesrooms and other properties in a number

Weaving a rug (pre-war) in one of the plants of Bigelow-Sanford Carpet Co.

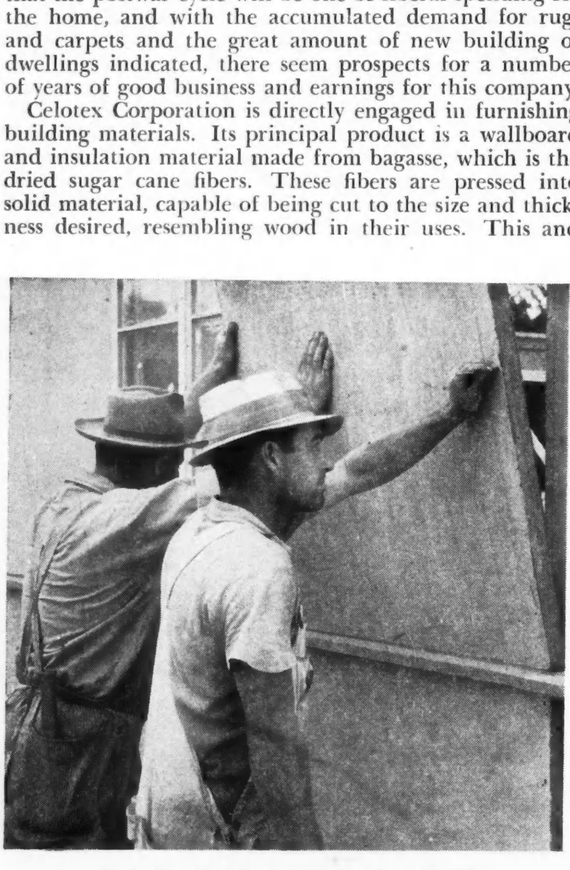
of points in the United States. It would seem that a figure of $8,201,692 is low for all of this.

The preferred stock is non-callable, but the amount of it outstanding has been reduced some years ago from its former total, presumably by purchase in the open market. During some of the periods of slump in earnings in the early 1930s, the preferred dividend was omitted for a brief time, but accrued dividends were paid soon afterwards. Again in 1938, two quarterly preferred dividends were omitted, but were paid off in 1939 and all regular dividends have been met as due since then.

Bigelow-Sanford reaches back over one hundred years, although the present company was incorporated in Massachusetts in 1914. Among its predecessor or absorbed companies are units which were originally started in 1825, 1836, 1837 and 1838. The peace-time business of were omitted, but were paid off in 1939.

Bigelow-Sanford common stock has many factors to make it worth holding for expected good average income over a period of years and for expected appreciation in the postwar days. On the $2 dividend, the income at recent prices is near to 5%, and in time, a larger dividend can be looked for. It is possible that, if earnings are further affected by war conditions, a temporary decrease in the dividend might be seen, but that would seem sure to be more than made up for when the after-the-war demand for rugs and carpets develops. The asset values are far above the market price of the stock and the net current assets are in excess of it. Business of the company has reflected business cycles. There are strong indications that the postwar cycle will be one of liberal spending for the home, and with the accumulated demand for rugs and carpets and the great amount of new building of dwellings indicated, there seem prospects for a number of years of good business and earnings for this company.

Celotex Corporation is directly engaged in furnishing building materials. Its principal product is a wallboard and insulation material made from bagasse, which is the dried sugar cane fibers. These fibers are pressed into solid material, capable of being cut to the size and thickness desired, resembling wood in their uses. This and other products of the company are sold under the trade name "Celotex." The cost of raw materials is low and the supply plentiful. Bagasse might be compared with corn husks after the corn has been used, as the juice is extracted from the sugar cane first and the sugar is all in the juice. The uses of the finished product, when Celotex has pressed and shaped the raw material, is for exterior and interior sheathing in buildings, plaster bases, for insulation, for the walls of electric refrigerators, in radio sets, in roofing and for accoustical conditioning.



A Celotex Cemesto panel being applied

	Bigelow-Sanford Carpet Co., Inc.	Celotex Corporation.
CAPITALIZATION		
Funded debt	None	$3,000,000
Preferred stock	26,403 shares 6%, par $100	156,863 shares 5%, par $20
Common stock	313,609 shares no par	755,434 shares no par
EARNINGS PER COMMON SHARE		(year to Oct. 31)
1943	$2.48	$0.85
1942	3.52	1.55
annual average 1934-41, incl	2.89	1.19
DIVIDENDS ON COMMON		
1943	2.00	0.50
1942	2.00	0.75
average 1935-41	2.07	0.35
ASSETS BACK OF COMMON		
Book value	75.89	8.09
net current assets per share (without allowance for prior securities)	55.01	6.13
MARKET PRICES		
Recent price	41	12
Range 1943, high and low	40-27⅜*	14¾-8¾
Range 1942	29-18⅜	8½-6⅛
Range 1935-41	69¾-14	24⅛-5

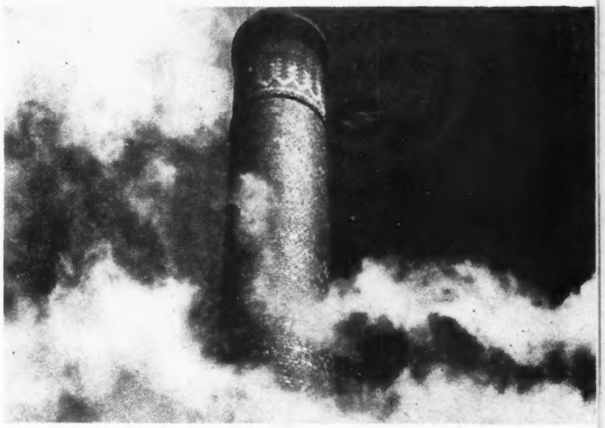
*1944 high to date 42.

Accoustical conditioning is not dissimilar to insulating. The Celotex products prevent the passage of sound through partitions and "arrest noise" within the edifice. It is used in offices, auditoriums, theatres, churches, schools, moving picture studios, radio broadcasting studios, restaurants and other places where noise control is necessary or desired.

Besides this leading activity in its specialized product, Celotex also makes rock wool, gypsum plaster, roofing products, lath and wall boards. It has an important stock ownership in Certain-teed Products and in South Coast Corp., which will be covered in more detail below.

Celotex has had a good earnings record, in proportion to the price of its stock, in recent years, although the 1943 income fell off as a result of wartime conditions. Thus in the 1941 fiscal year, the company showed $2.65 a share on its common stock and $1.55 in 1942. In the early part of 1943, much of the work on building to supply the government and war plant needs was completed, with the result that operations later in the year were on a smaller scale, while costs increased. For the fiscal year ending October 31, 1943, net on the common was 87 cents a share. This was after reserves equal to 88 cents a share and bond redemption cost equal to 38 cents a share. The company was reorganized during 1935, and in that year earned only 14 cents a share but in 1936 showed $1.06, and $1.96 a share in 1937. These two years might be considered a measure of what Celotex should be able to show in times of average business, while in subnormal years such as 1938, Celotex reported 51 cents a share, with 97 cents (*Please turn to page 690*)

What Latest Balance Sheets Disclose For *10 Important Companies*



Comparing Positions of War and Non-War Producers

BY STANLEY DEVLIN

THE effect of the war, and of the methods whereby the vast war production has been financed, has been to increase greatly the *aggregate* liquid assets of business enterprise.

A study by the Department of Commerce estimates that in the two years 1942-1943 business concerns, other than banks and insurance companies, increased their holdings of cash and of Government bonds by "somewhere around 35 billion dollars." Of course, this is not all net savings. A substantial amount, for instance, represents accrued taxes.

Nevertheless, there has been a record-breaking net increase in business savings, positively due to the vast outpouring of Government funds, negatively due to subnormal private expenditures for capital account and to conservative war-time dividend policy.

This great accumulation of liquid assets will be augmented further this year, and as long as war spending continues on anything like the present huge scale. Moreover, it will be additionally increased during the early post-war transitional period by settlement of billions in net claims on uncompleted contracts, provisions for depreciation, etc.

Without attempting to guess the timing of the end of the war, the authors of the Department of Commerce study conclude that business enterprise will enter the transition period with from 47 billion to 58 billion dollars more funds available than it had at the end of 1941.

What will be the need for funds? On this, the study places the maximum "charges" against the accumulation 36 billion dollars, broken down as follows: 8 billion for retirement of wartime tax accrual, 4 billion for "reconversion" costs, 8 billion for replenishment of civilian goods inventories, 11 billion for equipment purchases (deferred plus current replacements), 2 billion for defererd maintenance (net), and 3 billion for reextension of consumer credit.

That would leave an excess of somewhere between 11 billion and 22 billion dollars of the wartime business savings accumulation available for capital expansion outlays. For comparison, the private outlay in 1941 for expansion of productive facilities and for inventories was about 10 billions, the largest for a single year in a generation.

If the authors of this study—S. Morris Livingston and E. T. Weiler—are correct, we need only business "confidence" after the war to grease the wheels for the greatest private capital expansion period in our long history—undoubtedly to the accompaniment of a much higher aggregate of dividends than stockholders have seen at any time since the late '20's, for total dividend distributions now are but modestly more than 55 per cent of total corporate earnings, whereas a normal ratio would be at least 75 per cent.

Dr. Marcus Nadler, a conservative economist, remarks that after the war "the entire economy will be marked by great liquidity," with liquid assets in the hands of the people and of business concerns greater than ever before. George W. Bacon, chairman of the engineering firm of Ford, Bacon & Davis, recently stated in a luncheon speech that post-war prosperity in this country "will far exceed during its first quarter of a century any business activity for a like period the world has ever witnessed. So far as I know, the latter is the only "forecast" of a 25-year boom after the war!

Let us be more cautious. Suppose there are to be 3 to 5 years of high business activity following completion of the transitional adjustments. In that case, the existence

Montgomery Ward
(Millions of $)

	1939(a)	1944(a)	Change
ASSETS:			
Cash	14.396	16.794	+2.398
Government Securities	——	60.408	+60.408
Inventories	96.324	124.577	+28.253
Total Current Assets	189.600	243.835	+54.235
Property Account (net)	49.848	44.278	—5.570
Total Assets	251.837	299.588	+47,751
LIABILITIES:			
Total Current	40.705	31.777	—8.928
Reserves	1.132	18.698	+17.566
Capital	149.036	149.036	——
Surplus	60.964	100.077	+39.113
Working Capital	148.895	212.058	+63.163
Current Ratio	4.7	6.67	+1.97

(a) Years ended Jan. 31.

Western Auto Supply
(Millions of $)

	1939	1943	Change
ASSETS:			
Cash	4.787	7.951	+3.164
Government Securities	0.010	9.500	+9.490
Inventories	10.257	10.009	—0.248
Total Current Assets	18.876	28.291	+9.415
Property Account (net)	0.514	——	——
Total Assets	——	——	——
LIABILITIES:			
Total Current	3.164	3.954	+0.790
Reserves	——	——	——
Capital	7.514	7.514	——
Surplus	7.576	13.215	+5.639
Working Capital	15.712	24.339	+8.625
Current Ratio	6.0	7.2	+1.2

Allis-Chalmers

(in millions of $)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$10.498	$30.186	+$19.688
Marketable securities	0.005	5.750	+5.745
Receivables, net	21.220	38.958	+17.738
Inventories	29.234	79.206	+49.972
Other current assets	0.276	3.733	+3.457
TOTAL CURRENT ASSETS	61.233	157.833	+96.600
Plant and equipment	54.063	46.673	—7.390
Less depreciation	19.529	24.253	+4.724
Net property	34.534	22.420	—12.114
Other assets	12.292	17.269	+4.977
TOTAL ASSETS	108.059	197.522	+89.463
LIABILITIES			
Notes payable	——	——	——
Accts. payable and accruals	5.291	27.005	+21.714
Reserves for taxes	2.914	6.839	+3.925
Other current liabilities	3.415	25.246	+21.831
TOTAL CURRENT LIABILITIES	11.620	59.090	+47.470
Deferred liabs.	——	——	——
Short term debt	——	50.000	+50.000
Long term debt	25.322	15.000	—10.322
Reserves	2.407	8.140	+5.733
Capital	54.965	43.125	—11.840
Surplus	13.745	22.167	+8.422
TOTAL LIABILITIES	108.059	197.522	+89.463
WORKING CAPITAL	49.613	98.743	+49.130
Current Ratio	5.3	2.7	—2.6

Kennecott Copper

(in millions)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$48.679	$86.927	+$38.248
Marketable securities	15.709	87.952	+72.243
Receivables, net	12.187	25.136	+12.949
Inventories	39.854	41.474	+1.620
Other Current Assets	0.023	——	—0.023
TOTAL CURRENT ASSETS	116.452	241.489	+125.037
Plant and equipment	310.551	333.987	+23.436
Less depreciation	101.893	123.811	+21.918
Net property	208.658	210.176	+1.518
Other assets	36.072	38.108	+2.036
TOTAL ASSETS	361.182	489.773	+128.591
LIABILITIES			
Notes payable	——	——	——
Accts. payable and accruals	3.955	11.505	+7.550
Reserves for taxes	8.832	50.528	+41.696
Other current liabilities	5.284	4.817	—0.467
TOTAL CURRENT LIABS.	18.071	66.850	+48.779
Deferred liabs.	0.355	4.708	+4.353
Short term debt	——	——	——
Long term debt	——	——	——
Reserves	3.152	20.069	+16.917
Capital	53.200	53.200	——
Surplus	286.404	344.946	+58.542
TOTAL LIABILITIES	361.182	489.773	+128.591
WORKING CAPITAL	98.381	174.639	+76.258
Current Ratio	6.5	3.6	—2.9

Studebaker Corp.

(in millions)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$11.341	$26.373	+$15.032
Marketable securities	——	——	——
Receivables, net	0.862	31.510	+30.648
Inventories	7.065	21.718	+14.653
Other Current Assets	1.476	0.966	—0.510
TOTAL CURRENT ASSETS	20.744	80.567	+59.823
Plant and Equipment	19.977	19.757	—0.220
Less depreciation	5.498	9.546	+4.048
Net property	14.479	10.211	—4.268
Other assets	1.223	0.779	—0.444
TOTAL ASSETS	36.446	91.557	+55.111
LIABILITIES			
Notes Payable	——	——	——
Accts payable and accruals	4.435	14.029	+9.594
Reserves for taxes	1.659	12.531	+10.872
Other current liabilities	1.698	31.361	+29.663
TOTAL CURRENT LIABS.	7.792	57.921	+50.129
Deferred liabs.	0.547	——	—0.547
Short term debt	——	——	——
Long term debt	6.491	——	—6.491
Reserves	——	2.000	+2.000
Capital	2.275	2.355	+0.080
Surplus	19.341	29.280	+9.939
TOTAL LIABILITIES	36.446	91.557	+55.111
WORKING CAPITAL	12.952	22.646	+9.694
Current Ratio	2.7	1.4	—1.3

of the huge *total* of liquid assets in business hands would not necessarily obviate the need for much new capital financing. This statement is not paradoxical. In the first place, the liquid funds of business are not, of course, evenly distributed. In the second place, when business firms that are well heeled with liquid assets employ these funds the activity thus created will necessarily call forth both bank borrowing for working capital and security financing for capital facility expansion by firms that emerge from the war wtihout liquid assets adequate to their individual needs.

On the whole, despite exceptions, the liquidity ratio—that is, ratio of current assets to current liabilities—is today substantially higher than in the pre-war year 1939 in the case of non-war enterprises, but lower by a wide margin than in 1939 for the more active war producers.

Bearing on this point, I have before me as I write a list of 54 companies whose holdings alone of cash and marketable securities—excluding inventories, receivables or any other current assets—exceed their total current liabilities. Over 80 per cent of them are what are popularly classed as "peace companies."

On the other hand, the National City Bank recently made up a composite balance sheet for 110 larger-size manufacturing companies. While their total working capital increased by $139 million during the year, the current ratio as of Dec. 31 was down to 2.43, campared with 2.50 at the end of 1942, 2.91 at the end of 1941 and 4.31 at the end of 1939.

It will be observed that the biggest shrinkage in liquidity took place in the year 1941, with a drop of 1.40, followed by further decline of 0.41 in 1942 but by additional decline of only 0.07 in 1943. Evidently the wartime strain on working capital in manufacturing has begun to relax somewhat. With the war economy now at an advanced stage of maturity, it is probable that the composite liquidity ratio is very close to stabilization now, and quite possible that it may turn up by the end of the year.

This matter of liquidity ratio is of practical significance to stockholders. It is no accident that the wartime decline in the ratio of dividends to corporate earnings has coincided with a decline in liquidity ratios. To corporate managements, financial liquidity comes first, dividends second. To the extent that the strain on working capital relaxes this year, prospects for total dividends will be improved, although normal ratios of dividends to earnings can be expected to come only after the war.

Other things being equal, one would naturally prefer to own the stock of a company with current assets—including a handsome proportion of cash items—many times current liabilities, instead of a stock where the current ratio is on the low side. But other things are seldom equal. Let us put it this way: a company must have adequate working capital to do business, but having adequate working capital is no guarantee that it can forge ahead against competitors. When a company shows its heels to competitors, aggressively able management is usually the answer rather than any superiority in working capital position. Reflect on the competitive decline, for example, in the cash-rich Ford Motor Company beginning back in the mid-'20's and the simultaneous competitive rise of Chrysler. The latter did not become competitively strong because of a good working capital position. It developed a strong financial position over the years because it was competitively successful.

It is not possible to make any intelligent appraisal of the strength—or weakness—of any given company's liquid asset position except in rather general terms and always

in relation to apparent or potential financial needs. The latter are often indeterminate, depending greatly on future general business conditions. It need hardly be emphasized that any company needs more working capital in a boom than in a depression; nor that a company which does not need capital financing at one level of business may need it at a higher level of business. Financial needs for the future also depend importantly upon whether a company is growing or static, whether the management has expansion plans or not, etc.

A company may have a notably strong liquid asset position today—and still need funds for expansion after the war. An interesting example of just this kind of situation is provided by Montgomery Ward. As the accompanying tabulation shows, current ratio was 6.67 of Jan. 31, 1944, against 4.7 at end of company's 1939 fiscal year. Cash and Government bonds had increased to the remarkably high figure of $77,202,000. But the improvement in liquidity was enforced: the company could not obtain enough inventory to meet sales potentials, nor carry on its expansion program.

In the words of Sewell L. Avery, Montgomery Ward chairman:

"The present improvement in the company's financial position arises from the restrictive factors that accompany the country's tremendous war effort, but it is anticipated that the return of peace will bring opportunities for profitable expansion of the company's merchandising facilities. An increase in the number of shares of authorized common stock is contemplated, so that the company will be in a position to provide for the additional capital which will be needed to take advantage of these opportunities, when it becomes clear that they are present."

In other words here is a company with far above average financial strength and liquidity, and a great increase in both during the war period—but the management does not feel inclined to increase the $2 dividend, which is generously covered by war-time earning power, and it does not believe these large liquid assets are sufficient to finance post-war needs; hence it contemplates future stock financing.

Allis-Chalmers on March 17 annonced it would soon file with the SEC a registration statement for issuance of $29,601,500 par value of cumulative convertible preferred stock. Purpose of the financing is to retire $15,000,000 of outstanding debentures and add the balance of the new funds to working capital for post-war uses, including reconversion and carrying larger peacetime inventories and receivables than formerly. Casual inspection of the balance sheet would not reveal any apparent need for this financing.

Net working capital increased about $16 million last year to a level $49 million larger than at the end of the pre-war year 1939. While total of cash and marketable securities declined some $6 million during the year, the figure of nearly $36 million was $25.4 million greater than at the end of 1939. The relative working capital position deteriorated during the war period, as is true of virtually all companies with a greatly swollen volume of business, current ratio standing at 2.7 against 5.3 in 1939. However, the declining trend in this ratio has evidently terminated, for the present 2.7 figure compares with 2.6 at end of 1942. The balance sheet is not as strong as it superficially looks—otherwise, the company would not be doing nearly $30 million in new preferred stock financing. Figure of nearly $36 in cash and Government bonds doesn't look so big when one notes that trade account payable, accrued (*Please turn to page* 687)

Bullard

(in millions)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$0.848	$2.891	+$2.043
Marketable securities	——	1.200	+1.200
Receivables, net	0.309	1.217	+0.908
Inventories	2.001	5.024	+3.023
Other Current Assets	——	0.259	+0.259
TOTAL CURRENT ASSETS	3.158	10.591	+7.433
Plant and equipment	3.761	3.534	—0.227
Less depreciation	2.226	2.356	+0.130
Net property	1.535	1.178	—0.357
Other assets	0.019	4.111	+4.092
TOTAL ASSETS	4.712	15.880	+11.168
LIABILITIES			
Notes payable	0.500	——	—0.500
Accts payable and accruals	0.403	2.188	+1.785
Reserves for taxes	——	3.690	+3.690
Other current liabilities	0.852	1.071	+0.219
TOTAL CURRENT LIABS.	1.755	6.949	+5.194
Deferred liabs.	——	——	——
Short term debt	——	1.390	+1.390
Long term debt	——	——	——
Reserves	——	1.230	+1.230
Capital	1.051	1.051	——
Surplus	1.906	5.260	+3.354
TOTAL LIABILITIES	4.712	15.880	+11.168
Working Capital	1.403	3.642	+2.239
Current Ratio	1.8	1.5	—0.3

Celanese

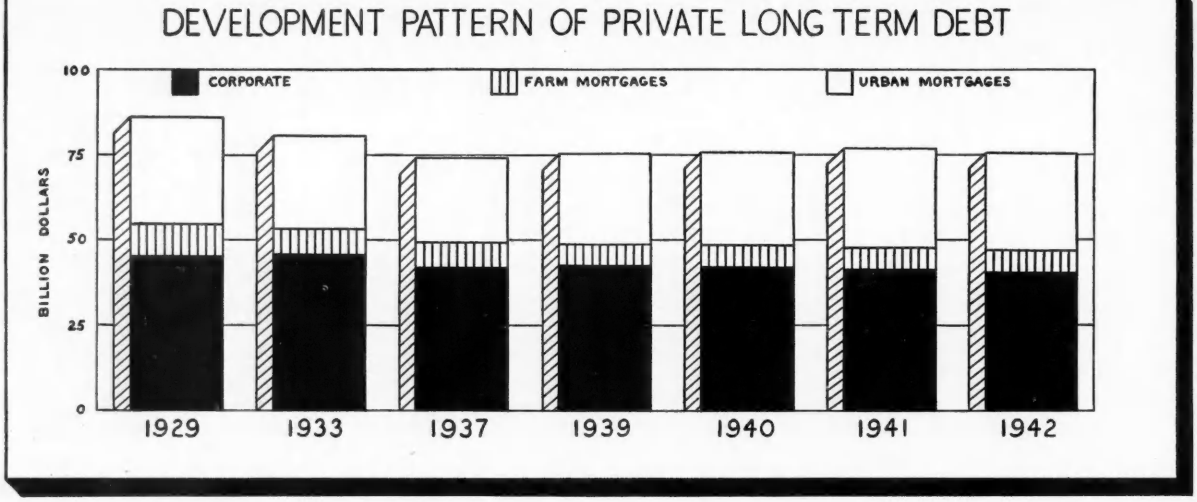
(in millions)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$17.645	$19.843	+$2.198
Marketable securities	——	5.905	+5.905
Receivables, net	3.435	7.958	+4.523
Inventories	5.470	9.681	+4.211
Other current assets	0.107	0.399	+0.292
TOTAL CURRENT ASSETS	26.657	43.786	+17.129
Plant and equipment	48.798	82.602	+33.804
Less depreciation	12.295	26.485	+14.190
Net property	36.503	56.117	+19.614
Other assets	3.136	7.111	+3.975
TOTAL ASSETS	66.296	107.014	+40.718
LIABILITIES			
Notes payable	1.250	——	—1.250
Accts payable and accruals	2.612	4.653	+2.041
Reserves for taxes	1.661	——	—1.661
Other current liabs.	0.170	0.594	+0.424
TOTAL CURRENT LIABS.	5.693	5.247	—0.446
Deferred liabs.	0.143	2.694	+2.551
Short term debt	——	——	——
Long term debt	14.830	34.289	+19.459
Reserves	0.049	3.235	+3.186
Capital	32.325	36.447	+4.122
Surplus	13.256	25.102	+11.846
TOTAL LIABILITIES	66.296	107.014	+40.718
WORKING CAPITAL	20.963	38.539	+17.576
Current Ratio	4.7	8.3	+3.6

Chrysler

(in millions)

	12/31/'39	12/31/'43	Change
ASSETS			
Cash	$72.565	$105.114	+$32.549
Marketable securities	2.572	25.000	+22.428
Receivables, net	8.362	85.442	+77.080
Inventories	54.897	83.992	+29.095
Other current assets	7.065	57.604	+50.539
TOTAL CURRENT ASSETS	145.461	357.152	+211.691
Plant and equipment	115.357	102.677	—12.680
Less depreciation	47.683	51.143	+3.460
Net property	67.674	51.534	—16.140
Other assets	9.359	9.801	+0.442
TOTAL ASSETS	222.494	418.487	+195.993
LIABILITIES			
Notes payable	——	——	——
Accts payable and accruals	42.220	91.968	+49.748
Reserves for taxes	8.500	37.313	+28.813
Other current liabs.	——	59.547	+59.547
TOTAL CURRENT LIABS.	50.720	188.828	+138.108
Deferred liabs.	——	——	——
Short term debt	——	——	——
Long term debt	——	——	——
Reserves	16.100	41.699	+25.599
Capital	21.756	21.756	——
Surplus	133.918	166.204	+32.286
TOTAL LIABILITIES	222.494	418,487	+195.993
WORKING CAPITAL	94.741	168.324	+73.583
Current Ratio	2.9	1.9	—1.0



Debt Decline To Spur Future Business

BY H. F. TRAVIS

THE record of long-term changes in our private debt structure forms an eloquent exhibit illustrating the trends and basic shifts of our national economy. Though not always consistent in following the cyclical pattern due to the time lag which necessarily occurs especially in long term debt changes, its structural variations depicting the flow of funds over any given period furnish useful material in quantifying economic and financial history. While not wholly complete because of the lack of adequate data regarding ownership of evidences of debt, and thus of changes within the creditor structure, the resultant over-all picture nevertheless affords interesting observations as to future trends.

The development pattern of the private debt during the past two decades or so clearly reflects the progressive expansion of our economy during the Twenties, with the debt growing steadily from 1916 through 1929 and rising from less than $68 billion to $142 billion in the latter year. This unbroken uptrend mirrors the continuous growth in productive capacity of our industrial plant, the rise in prices and the increasing complexity of the financial arrangements characteristic of that period. Over the entire thirteen-year span, long-term private debt mounted from $42 billion to $86.6 billion, followed by the cyclical peak of $91 billion in 1930 before beginning its downward journey. Short-term debt expanded from $25.5 billion to over $55 billion in 1929. Virtually all types of private debt contributed to this expansion of aggregate outstandings.

After the collapse in 1929, private debt fell rapidly from 1930 through 1935 reflecting the economic distress of that period; how it was tempered by Government aid is clearly evident from the concurrent rise of the Federal debt during those years. From 1935 onwards, the private debt level fluctuated uncertainly and fairly widely as business attempted to attune itself to the new economic policies of the period, finally making a post-recovery peak of $116.5 billion in 1941, already in the initial stages of war-time expansion of industry. Thereafter, despite the unprecedented demands of war on the country's productive capacity, the trend of private debt was downward and still is at this writing. In 1942 alone, total private debt dropped $3 billion.

All components of the debt structure followed the same essential pattern. From the peak point in 1929 down to 1942, the aggregate decline was $28.5 billion and, accelerated by the unique phases of this war, debt reduction continued through 1943. This year it may well come to a halt.

Various factors are responsible for this downtrend in the face of phenomenal expansion of our industrial apparatus. Foremost, of course, are the new sources of funds available through the Government for financing new facilities and production. Numerous federal regulations affecting business operations also contributed to the radical change in the composition of the country's debt structure. Consumer credit, for one part, was sharply curtailed; other restrictions made it impossible for non-war industries to expand plant and equipment or otherwise to expend their depreciation reserves which therefore were at least partly used for debt retirement. High war-time earnings only intensified this trend.

While total private debt today stands higher than in 1939, the last normal pre-war year, this is entirely due to rises in the short-term debt and the urban real estate mortgage debt. The two other principal components comprising private debt, corporate debt and farm mortgage debt, declined steadily and substantially.

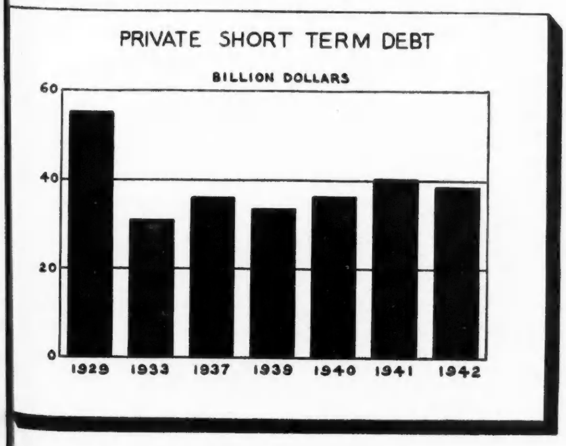
Reflecting mounting needs for working capital paralleling rising production preceding our entry into the war, short term debt advanced from $33.8 billion in 1939 to $40.3 billion in 1941, a year of great activity especially in the consumer durable goods industries but also of active preparation for war production. It declined to $38.3 billion in 1942 as civilian production shrank progressively and Government credit took over the task of

financing war production. The down-curve of short-term debt is additionally reflected in reports of Federal Reserve member banks. Illustrating the broad swings which occurred, total member bank loans dropped from the 1929 high of $26.1 billion to currently only $11.53 billion, whereof commercial loans declined from $11.8 billion to $6.39 billion. This drastic reduction is truly indicative of the greatly curtailed use of bank credit in recent years.

Since 1941, the retirement of short term debt proceeded ather more rapidly than the decline in long term debt s a whole which dropped from $76.1 billion to $75.2 billion in 1942 and is still heading downwards. The rend of corporate long term debt parallels this course, lso fluctuating less widely. Apart from a brief uptrend in 937-38, it dropped steadily from the 1930 high of $48.9 billion to $40.7 billion in 1942 and is still receding. In his, it followed rather closely the cyclical pattern, reflecting the unsettled economic conditions during the Thirties, the brief recovery in 1937, the subsequent decline of economic activity until re-stimulated by the approach of war. The latter, however, proved no stimulant o private investment or privately financed expansion, nd thereby to debt increase; instead, Government financing took over and corporate long term debt coninued its downtrend as, for reasons already stated, warime conditions in many lines of industry proved peculirly favorable to debt retirement.

The railroad industry is an excellent case in point. ts long term debt declined from $12.5 billion in 1933 o $10.2 billion at the end of 1943 and by 1945 may have hrunk to as low as $8 billion if present trends continue. The decline during the Thirties was rather gradual nd largely the result of reorganizations and recapitaliations brought to a head by the depression conditions during that period. Since the war, railroad debt retirement proceeded at an amazing pace, the result not only of unusually high earnings but also of inability to expand facilities or otherwise expend maintenance reserves. or the duration, this trend should continue; for 1944, etirement of another $400 to $500 million long term ebt is foreseen.

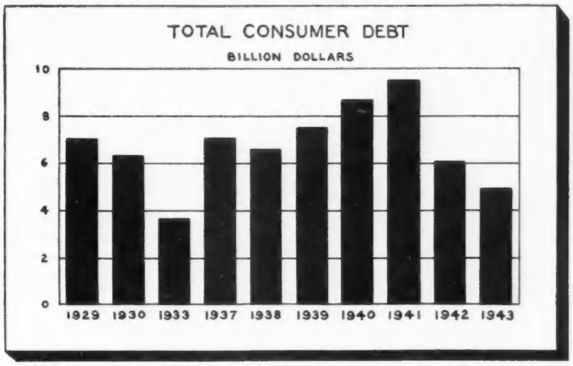
In the public utility field, the trend was more irregur; long term debt today exceeds the 1929 volume outtanding, chiefly because of the rising need for funds for xpansion of facilities, preparatory to the war, in 1940 nd 1941. Since then the trend has become reversed and tility long term debt at the end of 1942 was estimated t $12.9 billion compared with $13.8 billion in 1941 and 12.8 billion in 1939. The all-time peak was $13.2 billion



in 1932 as the depression neared its low.

While prospects are that the railroad debt will reverse its course after the war and temporarily at least tend higher in line with resumption of large-scale equipment purchases badly needed to restore normal efficiency of the carriers, long term debt of utilities is likely to decline further as present enlarged capacity is ample to cope with all conceivable post-war needs, hence no further expansion requiring long term financing is in sight.

The progress made by industry as a whole in reducing long term debt since the war will probably stand as one of the most important economic events of the war period. Even manufacturing, mining, trade and service corporations participated substantially, reducing their aggregate long term indebtedness from $6.71 billion in 1939 to $6.38 billion in 1942 after a small temporary uptrend in



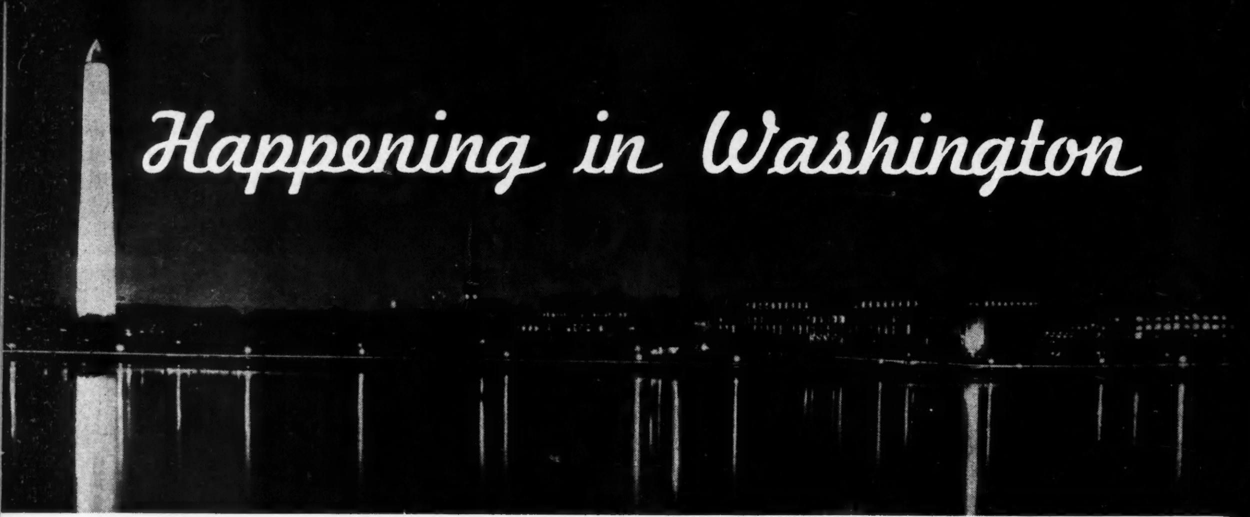
1940. In 1942 alone, debt was reduced by some $350 million, a surprising phenomenon in a period of terrific industrial expansion and activity.

Even more pronounced was the war-time decline in consumer debt, running counter to the usually close association between consumer debt and national income. This relationship was broken by rigid curtailment of installment credit and strict priority control over raw materials entering the manufacture of durable goods. As a result, consumer debt contracted from the 1941 peak of $9.49 billion to $4.95 billion at the end of 1943 and is rapidly heading further down as outstanding receivables are being liquidated. However, a substantial post-war rebound is in prospect.

The decline in farm mortgage debt, progressing steadily during the Thirties when foreclosures were numerous, gathered momentum under the impact of war when rising farm income and the growing lack of suitable spending outlets quickened the rate of agricultural debt retirement. This type of indebtedness, after a pre-depression peak in 1927-28 of $9.8 billion, has been sliding downwards continuously and today stands at about $6.35 billion compared with $7.07 billion in 1939. Retirement activity has doubtless been larger than implied by these figures as the decline occurred in the face of creation of new mortgages reflecting widespread land purchases by war-enriched farmers. That a net decrease occurred nevertheless testifies to the vastly improved farm situation, discussed in detail in an earlier article of this magazine.

The rise in urban real estate mortgage debt has been referred to before. It came to pass despite a substantial retirement of home mortgages under the spur of lush war-time earnings of many home owners as this very same factor also led to increased home buying. As a result, the creation of new mortgages *(Please turn to page 688)*

Happening in Washington



Charles Phelps Cushing Photo

By E. K. T.

Political developments of the generation are in the making and the intervention of two individuals could materially affect the 1944 Presidential outlook. Informed quarters say former Gov. Alfred E. Smith will come out for a Fourth Term, based on "needs of the day; not a departure from fundamental opposition to multiple terms." John Nance Garner definitely will speak for the Democratic ticket, no matter who heads it. Texas' prestige in Congress is at stake, he asserts.

Food Goals of the United States are being increased to measure up to the role of world's major source for relief. Acres marked for planting total 380 millions—16 millions more than were planted in 1943, and a new all-tim record. Per-acre yield also promises to be higher than eve before, with fertilizer abundant, labor sources protected machinery more plentiful, and weather the only im ponderable. Much of the product will be earmarked i the seed for export.

> ***Washington Sees:***
>
> Individual savings in 1943 added up to the highest on record, the nation has it on the word of the Securities Exchange Commission, but greatly increased incomes during the year whittled away the anti-inflation benefits which normally might be expected to flow from that fact.
>
> Liquid individual savings last year were fixed at 37.7 billion dollars, as against 29.5 billion dollars in 1940. Major channels were currency and bank deposits, which accounted for 15.8 billion dollars, and government bond holdings which took 13.8 billion dollars. Insurance payments and debt reductions shared the rest.
>
> But the charts of the SEC show that the ratio of liquid savings to income has remained almost constant since the middle of 1942. That is contrary to experience, which has shown that savings usually increase their proportion as income rises.
>
> Most serious aspect of the study was the finding that so large a part of individual savings is being held in the form of cash and bank balances, thereby constituting a potential threat of inflation.
>
> SEC reports usually are regarded as reading for the few. This one will be read by the many. It will be widely discussed in Congress and elsewhere when future war bond and revenue bill quotas are being established.

Ruml and Kaiser is a team to be reckoned with in an company and when the author of the pay-as-you-ear tax plan joins with the ship and plane productio wizard to promote an after-the-war policy of dotting th map of the United States with new houses, safe predi tion is that the idea will come to fruition. Ruml an Kaiser appear in the picture only as planners; executio they warn, must be by federal, state and local gover ments; by banks, labor unions, insurance companies an industry working hand-in-hand.

Government by executive order is in line for overhau ing. The Russell Amendment to the Independent Offi Appropriation Bill will require any agency which h been in existence for 12 months or more to come befo Congress for operating funds. The purpose of the amen ment is to force an airing of agency objectives and ru out those regarded unworthy. Immediate target is th President's Committee on Fair Employment Practices. alienated a large Congressional bloc by ordering Sout ern railroads to employ Negroes on the same basis whites.

Big Three Accord on non-military subjects has bee blasted by Stalin's independent action in recognizing th Badoglio government whereas the United States an Britain promised the people of Italy they could choo their own government when Rome falls. Our State D partment cannot square Russia's action with the pled at Teheran and Moscow, where an Advisory Council Matters Relating to Italy was created. Cooler weath is in prospect for the next Roosevelt-Churchill-Stal meeting.

Unemployment Increase in recent winter months h been greater than can be accounted for by seasonal l offs. On the one hand, aggregate production is at pe on the other hand, war industries are still finding ways get more output per man-hour through technical sh cuts. There will be spotty unemployment in so localities, continued tight labor situation in others. J total at seasonal autumn peak will probably be som what lower than 1943 top.

AS WE GO TO PRESS

By tacit agreement between the two political parties, post-war planning in its international aspects has been reduced to a few major headings: aviation, communications, transportation petroleum.

If he can be prevailed upon to accept, Juan Trippe, aviation genius and president of Pan-American, will be ensconced in an office of sub-cabinet rank to direct the air branch. The job calls for one not only skilled in air route operation, but also a diplomat. Bi-partisan thinking fits Trippe into the dual role.

James Lawrence Fly, who combines the duties of Communications Commission chairman with those of boss of the War Communications Board, definitely is not a diplomat. Right or wrong, he has offended a large bloc of Southern congressmen (he's a Southernor, too), and he couldn't be confirmed in a post-war appointment.

Joseph B. Eastman and Rear Admiral Emory S. Land, retired, were equal favorites for the role of United States spokesman in the area of transportation until death removed Mr. Eastman in mid-March.

Organized labor still is chafing under the indictment by Admiral Land that some of its organizers should be "shot at sunrise," but labor faces a bleak outlook, in the opinion of most observers, when the boys come marching home. It looks like Land here.

Petroleum strikes deep into the roots of international diplomacy. Worldwide distribution of aviation, communications and transportation facilities can be effected on a purely commercial basis, if necessary. To pool the oil reserves calls for contracts tantamount to alliances, not merely agreements. The field will have State Department attention.

Ways and Means Committee's tax simplification program will relieve about thirty million taxpayers from the necessity of filling out involved income tax-forms and reduce the paper work of another twenty millions.

Some taxpayers would be "simplified" into higher taxes, others would pay less, but in no instance would the change be material. For those earning less than $5,000 annually and whose income springs from wages and salaries, the change will not be noticeable.

Chances for passage of the bill are excellent. The Treasury's experts, for once, are in total accord with the congressional committees. The Treasury is not without public support in some of its opposition views. Pay-as-you-go was sneeringly referred to by many taxpayers who found their March 15 tax bill unexpectedly high.

Organized labor's campaign to overthrow the "Little Steel" formula of wage adjustment is causing great concern in the Capital. In surface examination, at least, the drive has the benefit of statistics. It's demonstrable that living costs have risen more since January 1941, then the 23.4 per cent estimated by government agencies.

On the other hand, comparison of living cost rise with hourly wage increases distorts the picture. Longer work weeks and premium pay for overtime hours, not hourly levels, reflect true pay envelope conditions.

But chief concern here is that liberalization of "Little Steel" would open the floodgates of labor union wage increase demands. In turn, unit costs of production would rise, O P A would have to readjust its ceiling prices, and living costs soon would stand in the same proportion to income as at present.

A F L and C I O will make their opening fight before the War Labor Board. That sally is foredained to defeat and the heavy guns will be saved for an assault in Congress. The unions intend to move fast, thereby dramatizing the claimed urgency. A rider to the O P A renewal bill is in prospect.

Conceding the propriety of the request that Eire take steps to "return past favors" to the United States, and the right of De Valera to fix the policy of his country, the exchange between the two nations will have repercussions in the November election. F D R will suffer loss of some votes if he runs; his party will be a target in any event.

In New England, New York State, and in lesser extent in Atlantic Seaboard States, Mr. Roosevelt has been losing his grip on a powerful bloc of voters. It began with his falling out with Alfred E. Smith and was intensified when James A. Farley left the fold. It extended into New England when Joseph P. Kennedy took a walk.

No one in America is more quilified as an assayer of vote strength than Franklin Delano Roosevelt. The request to De Valera to emulate St. Patrick and drive out the snakes could be made as well in conference with Eire's Minister as in formal note exchange. That he adopted the latter course raises some question whether F D R really cares for a Fourth Term.

Complaints from civilian production agencies have salvaged 40,000 key men under 26 years of age employed in critical war industries. Other relief is in sight.

Selective Service Headquarters is dropping the practice of nibbling away at deferred groups, and taking registrants in large chunks. The Federal Service which carried thousands of deferred on its payroll soon will have only a few hundred. Male congressional secretaries are soon to give way to females in a field in which the latter greatly excell.

"National disaster" confronts the synthetic rubber program, Director Bradley Dewey warns, if chemists, engineers and skilled operators are drafted. Similar outlook is reported in other fields of critical production.

National Service Act in a modified form is coming within range. The White House has been unwilling to listen to compromise plans in the past but reportedly is falling in line. Men rejected for military service, and those between 38 and 45 year of age would be embraced. Women would not be included.

Industry and agriculture are finding, the justification relates, that registrants who learn they won't be used for military duty are giving up their jobs in deferable lines and taking positions in less arduous non-critical fields. A National Service Act of limited scope would send them back to farm or factory.

Washington politicans -- Republican and Democratic -- are awaiting anxiously the results of the April 4 primary in Wisconsin which, they believe, will tell whether the 1944 Wendell Willkie star is in ascendency or falling. Wisconsin will be the proving ground in the first outright test of his Presidential strength.

Republicans have been looking with favor on a Dewey-Warren ticket, but few have gone overboard publicly. There's still time to clamber onto Willkie bandwagon if Wisconsin leads the way. Democrats are interested in the result only because it may bring their 1944 target into focus.

Willkie goes into the Wisconsin primary under a handicap that could prove disastrous. A close race or a loss to another leading contender -- Dewey, MacArthur, Bricker -- would not be too costly. But he faces possible defeat at the hands of one of the lesser lights, Commander Harold Stassen. Stassen has powerful support in the state.

The 1940 candidate actually has campaigned in Wisconsin. Stassen, on the other hand, hasn't been in the state in several years, hasn't uttered a word about politics even to the extent of announcing candidacy. He's busy in the South Pacific war theatre.

GOVERNMENT PARTNERSHIP in INDUSTRY?

BY E. A. KRAUSS

As we enter upon the active stage of postwar planning, we find ourselves at a cross roads, with the future of private enterprise in the balance. Its destiny will be determined by what course we choose to take. The challenge that faces us is to outline now, for future operation, a compromise between private management and social action in the economic sphere that will avoid the extremes of economic and politcal totalitarianism as well as the economic anarchy which would inevitably follow if an undisciplined and uncontrolled private economy would have to cope with another depression

The decisions we must make are of stupendous importance, likely to mold the pattern of our life, and possibly that of the world, for many years to come. Little wonder, then, that tempers run high in the preliminary debate now in full swing. While the battle for a more strictly Government controlled economy is rapidly taking shape, the real fight between the conflicting concepts of socialized and private business has hardly begun. But the ranks are closing steadily, possibly leading up to a decisive struggle at the polls this autumn. Possibly, too, the decisive contest may not come until the end of the multiphase war, until reconversion has become an actuality and vital decisions can no longer be postponed.

Meanwhile preliminary skirmishes are numerous, showing which way the wind is blowing. From the side of business, we are being inundated with speeches, articles, resolutions and pronunciamentos by proponents of private enterprise in a feverish effort to acquaint the public with their side of the argument, to move it in their direction. In the opposite camp, New Dealers and economic liberals of every shade of conviction are expounding daily their theories calling for enlarged Government initiative in planning and determining our postwar economic future. Government itself is proceeding cautiously, apparently reluctant to bring the issue into the open at this time. It wants neither to upset the war effort nor prejudice election prospects by forcing now an issue loaded with such fateful implications. Yet Government, by word and deed, does follow lines which leave little doubt over the trend and nature of its fundamental thinking and planning in the economic sphere. To answer the question: "Whither are we going?" one needs only point to the recent revival of militant anti-trust agitation, the type of postwar planning, and talking, done by certain Government Bureaus, the Government entry into the international oil picture, and many other straws in the wind. Government is moving slowly, cautiously, yet systematically along a road which unless checked will inevitably lead to further and perhaps far-reaching encroachment on the preserve of private enterprise. To some, it seems no longer a question of whether we are to have a mixed economy after the war; that is almost a foregone conclusion. The real issue, in the eyes of many, is whether we shall have a socialized economy, pure and simple.

In the welter of schemes and dreams for America's postwar economy, two themes predominate. First, that private business must absorb into peace-time enterprise most of the 30 million workers engaged in the war effort and assume responsiblity for maintaining employment of a labor force of 55 to 60 millions. To do this will require the most aggressive and intensive planning by industry. Second, Government must stand ready to provide jobs for all. If private enterprise fails to offer enough jobs, full employment will be maintained through public works. In other words, the Government will institute policies necessary to smooth out the extreme valleys and humps of the business cycle.

The Baruch-Hancock report on reconversion incorporates both of these approaches and implies that private enterprise, supplemented by public works, will carry the country to prosperity. It emphasizes that if Governmental directon after the war disappears and markets become free, peace will bring security for the future and "an adventure in prosperity." However, a public works program should be ready in case it is needed to fill "the valley of unemployment."

Whether postwar planners lay emphasis on private industry or on public works, there is rather general agreement that the means must be found of assuring regular employment for all. This is the crux of the prob-

lem. Holding in advance that private business cannot do the job, this belief in many quarters is given as the ostensible reason for more Government planning on the theory that only thereby can postwar economic stability be assured.

Proponents of this theory cite the last depression as conclusive proof that private enterprise has failed, that America therefore stands at the cross roads where it must choose between free and socialized business, between international economic cooperation and economic isolationism. That even if private enterprise is not through—and they are sure it is—the pressure of foreign socialized economies after the war will eventually force its modification or abandonment at home. Therefore, if we are to succeed in our objective of economic stability, Government's future control over every phase of our economic life must be far more detailed, far more intimate than ever before.

Business and industry take heated exception to such reasoning but their reaction is by no means uniform. Nor is there complete unity in their ranks. Business-as-usual diehards, protagonists of a return to complete laissez-faire, would like to see Government ousted completely from the economic field after the war. More enlightened business opinion acknowledges that private initiative needs revitalizing, that planning and cooperation with Government is needed in reestablishing a sound peace economy but also insists on a postwar environment favorable to the existence and expansion of private enterprise.

The great debate rages not between Government and business alone. It is joined with grim determination by that third member of the trinity of forces shaping postwar policy, organized labor. Labor of course is fighting strictly for its own interests but in doing so appears undecided, or at least is not of one mind, as to which of the two other forces it should side with. Whether to team up with industry to curb Big Government, or whether to side with Government to curb Big Business. In this connection, the recent "off the record" postwar conference at Atlantic City attended by most of the important industrial associations and labor unions may result in a new pattern of thinking.

Ostensibly, it appears, the conference was called to get business and labor together in order to obtain a stronger voice in postwar planning. But below the surface, the real intention seemingly was to pool labor and business strength in order to push Government back into its traditional sphere. In the more recent past, important labor groups seemed to veer toward an active if not militant interest in preserving freedom and initiative of our private enterprise system when the time comes to re-appraise Government controls after the war. Whether quarrels over the Little Steel formula and other points of friction may change this attitude remains to be seen; it is at any rate far from uniform. In fact, other important segments, especially those under CIO sponsorship, have been most articulate in stressing the absolute need for Government initiative in postwar economic planning and action. Whether labor as a whole will eventually swing over to the Government's side or team up with business, or follow an independent course playing one against the other in trying to influence postwar economic planning would seem to depend on what each has to offer.

Three Powerful Forces Lined Up

Thus we see three powerful forces lined up for a triangular struggle, the outcome of which may well decide the fate of private enterprise. Fully realizing that the machinery for socializing business is already in existence, private enterprise feels itself definitely on the defensive. It points to the enormous powers the Government can wield in the economic sphere by means of war plant disposal policy, surplus materials disposal policy, reconversion policies generally, by numerous bureaucratic controls, by its tax policy, by domination of vital resources in many fields. Is it surprising, then, that business with mounting insistence calls for early psychological reconversion by establishing clear definitions of the rules of the future economic game to be played by Government? Lacking this clarification, business fears—and not without justification—that the economic processes will be dogged by apprehension and uncertainty, and paralized by fear of Government competition, punitive taxation and the threats of monopoly pressure from any source.

Gendreau

The home of the Department of Justice in Washington. Its Anti-Trust Division recently inaugurated a new and militant campaign against powerful domestic and foreign monopolies including the British Chemical Trust in what is believed an ambitious program for dynamiting Europe's cartels

Business, above all, wants Government to lose no time in formulating its policy for disposal of Government-owned war plants and equipment that have added about one third to our industrial capacity. Nor should Government delay prompt agreement on a definite policy for disposing of roughly $50 billion worth of Government owned materials and supplies presumably on hand when the war ends. Both represent great potential threats to private enterprise that can and should be removed in a manner calculated to stimulate rather than burden or frighten business. Business, moreover wants restoration of the rewards for risk taking by revision of the tax laws so as to stimulate vigorously the entrance of venture capital into productive channels. Last but not least, business wants Government as a referee, not as a partner or competitor; it is not ready to accept Government

partnership or control as a permanent fixture. Rather it wants the return to private initiative with the least possible Government interference. Private enterprise, it is felt, must be stimulated, encouraged and helped by Government action but not dominated by it.

In Government quarters, somewhat different ideas prevail though they range a wide gamut. But even those advanced by the "moderates" are viewed with suspicion, if not apprehension, in many business quarters. These more conservative views, while declining postwar regimentation of business in any form, do oppose further concentration of wealth and industry with its trend towards monopolies as unhealthy to the national economy. Instead, they go to bat for small business as entitled to a fair chance and full opportunity in the competitive system. To that end, they feel, small business should have unhampered access not only to capital and long-term credit but to experience-tested research and business counsel, if necessary made available by Government action.

U. S. Treasury Building, Washington, D. C. It is here where federal tax and budgetary policies are formulated and the country's finances administered. During the current fiscal year, nearly $100 billions will be expended by the Government

Far more radical views, however, are frequently offered by influential office holders. Advocates of "full employment" like to point to the depression record of private enterprise and stress the urgent need for Government planning and action in order to maintain a high rate of postwar business activity and avoid major depressions. To achieve this, they favor virtually complete control and regimentation of all phases of business and finance. They suggest permanent and elastic regulation of installment credit and income taxes to direct and regulate consumer spending and consumer saving in order to smooth out the business cycle. They call for Government supervision and regulation of capital expenditures by private industry for the same purpose. In short, they envisage a completely Government planned economy, with all phases directed by administrators. As an alternative, they picture an inexorable depression of colossal proportions which, in their belief, private enterprise could not survive anyhow.

Potentialities of Reconversion Policies

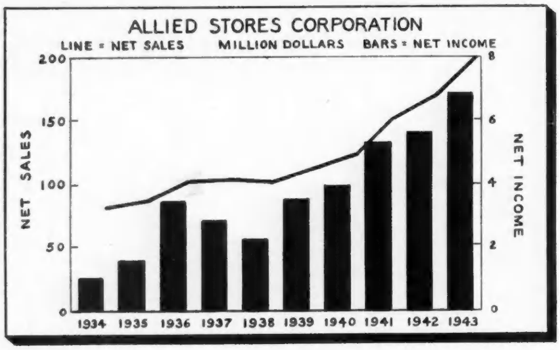
This line of thinking, in its major outlines, is increasingly shared by a good many "liberal" economists though there are many variations as to details. It is also approved by the more radical fringe of labor, calling for more rather than less Government planning and direction in every field.

The more immediate phases of the contest between private and official views are centering on plant and surplus disposal policy regarded by business as a potential avenue for Government entry into the economic field. It surely constitutes a "hot" issue, and not just one of public or private ownership. There is an infinite variety of possible degrees of Government participation in, or residual control over the former war plants. Even granting that Government will honestly try to divest itself entirely and promptly of its ownership of factories, the issue will always remain a difficult one. The leasing of war plants, in particular, is feared as a possible hidden device for the Government to compete with private plants, or for indirect subsidies to small business or to newcomers to combat well-entrenched industries.

Prospects are that Government will find it expedient, with an eye on longer range economic goals, to dispose as promptly as possible of the bulk of the war plants it owns though their disposal will likely be hedged with safeguards to prevent their acquisition or improper use by monopoly or quasi-monopoly industries. If recent remarks by Vice President Wallace are an indication of official policy views, the Government may strive to lodge control of such plants, whenever possible, in new hands or independent producers. The idea, of course, is to arrest the trend towards bigness in industry, greatly stimulated by the war effort. Labor of late has been quite specific as to its own ideas of what plant disposal policy should be. Thus Walter P. Reuther of the U.A.W.-C.I.O. in a recent speech suggested that Government undertake yardstick operation of such plants in monopolistic or semi-monopolistic industries, and in those strategic to the national welfare; he favored the leasing of plants and equipment with the special goal of rehabilitating and protecting small business. For the benefit of the latter, he also proposed a central research clearing house under Government auspices. The first mentioned idea, if carried out, would certainly have a decisive bearing on the future of such industries as aircraft, ship building, aluminum, magnesium, machine tools, synthetic rubber, aviation gasoline and a few others where Government ownership of productive capacity is large or predominant.

Surplus materials disposal policy, too, can become a tool for enforcing Government ideas on business policies, hence business and industry have an equally big stake in how it will be handled. Government is aware of the potentially unsettling effects of such disposal unless carefully planned and channelled with an eye to creating the least possible disorganization of markets and production. Having a tremendous interest in maintaining economic stability after the war, the chances are that no slips will be permitted to occur. Rather, to avoid any possible infringements on (*Please turn to page 693*)

8 Selected Low-Price Stocks of Sound Value



BUSINESS: Primarily a holding company controlling a large group of subsidiaries operating some sixty department stores in cities throughout the United States. Principal units include the well-known John Marsh store in Boston; others are located in Minneapolis, Cincinnati, Baltimore, St. Paul and Akron. All operate under their own established names and management is highly decentralized. Principal lines are women's, men's and children's clothing and accessories, and home needs. Quality of merchandise varies with the different stores but generally, medium and higher priced goods are sold. Most of the larger units operate basement divisions appealing to the lower income group.

OUTLOOK: Sales last year were at peak levels and should continue high in 1944 despite difficulties in obtaining well rounded merchandise lines though the latter factor may result in a moderate decline of volume and earnings from top levels. Allied is essentially a growth situation and the management's policy of acquiring additional stores whenever available on an attractive basis should have a favorable influence on postwar operations. Wide decentralization of units should impart above average stability in the future. For duration of war, sales should hold up better than average in view of heavy concentration on relatively plentiful apparel lines.

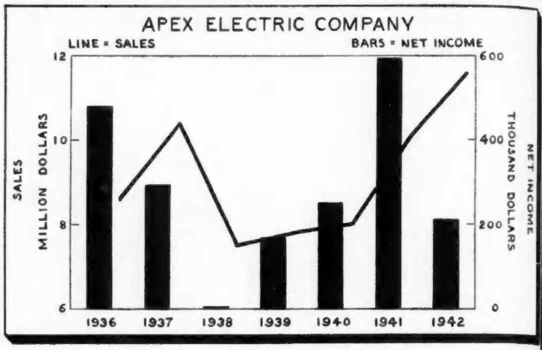
COMMENT: 1943 sales are estimated at over $200 million and net per share at $3.25 against $2.27 in 1942. Prewar earnings, improving progressively, averaged about $1.50 per common. Dividend was recently increased from 70¢ to $1, boosting yield rate to 6%. Steadily improving finances and efficient management add to longer range potentialities. Cash and inventory position is strong with working capital about $39.61 million. In view of growth prospects and company's improved position, the stock in recent months met considerable long term accumulation which carried it beyond the 1943 high of 16½.

MARKET ACTION: Recent price—16¼, close to the year's high of 16⅝. As a low-priced speculation, the common displayed rather more than average volatility in the past.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	4.034	13.775	+9.741
Marketable securities	0.022	0.102	+0.080
Receivables, net	15.808	16.409	+0.601
Inventories, net	14.758	23.481	+8.723
Other Current assets	0.505	0.510	+0.005
TOTAL CURRENT ASSETS	35.127	54.277	+19.150
Property	37.645	40.307	+2.662
Less depreciation	8.388	8.314	—0.074
Net Property	29.257	31.993	+2.736
Other assets	1.815	3.288	+1.473
TOTAL ASSETS	66.199	89.558	+23.359
LIABILITIES:			
Accts. payable & accruals	5.018	10.283	+5.265
Reserves for taxes	1.739	3.766	+2.027
Other current liabilities	0.524	0.615	+0.091
TOTAL CURRENT LIABILITIES	7.281	14.664	+7.383
Deferred Liabilities	0.396	0.159	—0.237
Long term debt	18.510	23.188	+4.678
Reserves	2.031	1.355	—0.676
Capital	25.008	24.893	—0.115
Surplus	12.973	25.299	+12.326
TOTAL LIABILITIES	66.199	89.558	+23.359
WORKING CAPITAL	27.846	39.614	+11.768
Current Ratio	4.8	3.7	—1.1

Thumbnail Stock Appraisal



BUSINESS: Company's principal products are vacuum cleaners, refrigerators, clothes washers and electric ironers. They are sold under the trade names Apex and Faultless and also under private brand names through Montgomery Ward and others. Domestic distribution is effected by two wholly owned subsidiaries, Apex Rotarex Corp. and Holland-Rieger Corp. while exports are handled by RCA Mfg. Co. The company builds its own motors. Since 1942, activities are devoted almost entirely to war work, consisting of ammunition, ordnance, aircraft and naval parts. Plants are in Cleveland and Sandusky, Ohio.

OUTLOOK: Despite sharply higher taxes due to an unfavorable tax base, earnings from war work have been uptending and this year may compare favorably with average prewar of about $2 per share. Longer term prospects are enhanced by existence of a large deferred demand for household appliances presaging capacity business for several years. While the field is highly competitive, company's relationship with Montgomery Ward should prove an added advantage, especially postwar when rural sales of mailorder houses are likely to run high.

COMMENT: Finances are somewhat restricted due to capital needs for war work including some plant expansion but normal capital needs are small. Prewar net income was somewhat erratic due to cyclical influences and the charge against income of expenditures for acquisition of various plant units but the resultant broadening of operations should henceforth make for greater earnings stability, providing a broader earnings base. Selling about eight times 1942 earnings of $1.84 per share and below book value of $28.79 per share, the stock represents a promising speculation on the postwar boom in consumer durable goods.

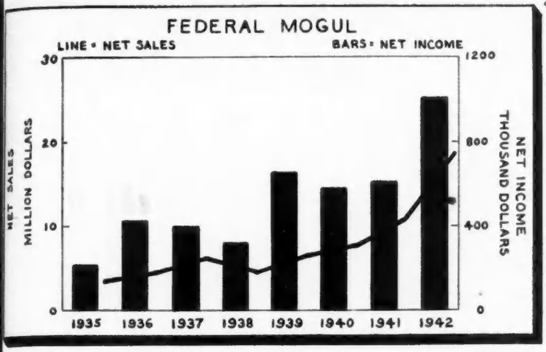
MARKET ACTION: Recent price—16½. Leverage arising from $664,700 preferred stock should, as in the past, make for above average volatility.

COMPARATIVE BALANCE SHEET_ITEMS
($ millions)

ASSETS	1939	Latest	Change
Cash	0.261	0.221	—0.040
Marketable securities	——	——	——
Receivables, net	0.619	2.616	+1.997
Inventories	1.049	1.139	+0.090
Other current assets	——	——	——
TOTAL CURRENT ASSETS	1.929	3.976	+2.047
Plant & Equipment	1.531	2.086	+0.555
Less depreciation	0.619	0.742	+0.123
Net property	0.912	1.344	+0.432
Other assets	0.328	0.283	—0.045
TOTAL ASSETS	3.169	5.603	+2.434
LIABILITIES:			
Notes payable	——	1.300	+1.300
Accts. payable & accruals	0.400	0.814	+0.414
Reserves for taxes	0.029	0.162	+0.133
Other current liabilities	——	——	——
TOTAL CURRENT LIABS	0.429	2.276	+1.847
Deferred liabs	0.021	0.002	—.019
Reserves	0.150	0.150	——
Capital	1.015	0.952	—0.063
Surplus	1.554	2.223	+.669
TOTAL LIABILITIES	3.169	5.603	+2.434
WORKING CAPITAL	1.500	1.699	+0.199
Current Ratio	4.5	1.7	—2.8

Thumbnail Stock Appraisal

8 Selected Low-Price Stocks of Sound Value



[BU]SINESS: Federal Mogul normally derives the bulk of its revenues [fr]om the sale to the automotive trades of babbitt-lined bearings for [en]gines, transmissions, etc. Other products include bronze bushings, [br]onze castings, cored and solid bars, and marine and industrial pro[pe]llers. Rebabbitting and boring machines are also sold to car dis[tri]butors, service stations and repair shops. About half of the auto[mo]tive business normally represents replacement sales but the com[pa]ny supplied considerable original equipment to Ford, General Mo[tor]s, Chrysler and many other car and truck manufacturers, in addi[tio]n to virtually all the prominent farm implement makers. Some busi[ne]ss was also done with the refrigerator and aircraft industries. At [pr]esent war work predominates.

[OU]TLOOK: Sales of bearings for aircraft, marine engines and other [mil]itary purposes will more than offset the loss of automotive business [for] the duration. Over the longer term, research work should continue [to] broaden the company's line and markets, enhancing the strong [pre]war growth trend. As a result, postwar earning power may well run [co]nsiderably in excess of the prewar average of about $1.75 per share. [Au]tomotive prospects are excellent; aircraft prospects should markedly [exc]eed prewar; farm implement makers are on the threshold of a sus[tai]ned boom period. Federal Mogul stands to benefit accordingly.

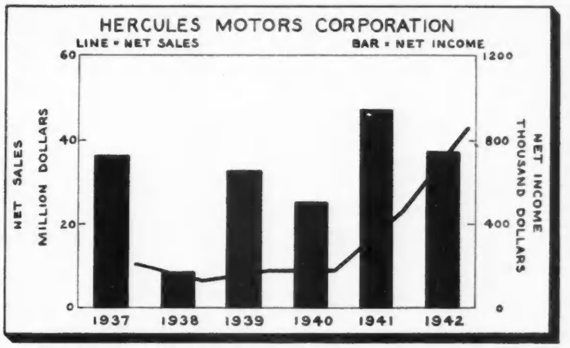
[CO]MMENT: 1943 net came to $3.15 per share against $2.50 in the [pre]ceding year, both after renegotiation. Despite a conservative finan[cia]l policy in the past, new funds were needed and obtained in 1942 [for] plant expansion and additional working capital. Position currently [is f]ully adequate, showing marked liquidity. The stock in recent months [ha]d considerable speculative favor, reflecting optimistic appraisal [of] longer term prospects. Selling at about five times earnings, it rep[res]ents a low-priced speculation of promise.

[MA]RKET ACTION: Recent price—18⅝ compared with an earlier high [of] 20⅜, 1943 high of 16½. Past volatility was below average, reflecting [con]servative dividend policy, which is likely to continue.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	0.095	1.329	+1.234
Marketable securities	—	—	—
Net Receivables	0.771	2.526	+1.755
Net Inventories	1.507	3.663	+2.156
Other current assets	—	0.034	+0.034
TOTAL CURRENT ASSETS	2.373	7.552	+5.179
Plant & Equipment	1.622	2.216	+0.594
Less depreciation	0.671	0.739	+0.068
Net property	0.951	1.477	+0.526
Other assets	0.150	2.930	+2.780
TOTAL ASSETS	3.474	11.959	+8.485
LIABILITIES:			
Notes payable	0.100	0.150	+0.050
Accts. payable & accruals	0.526	1.796	+1.270
Reserves for taxes	0.167	3.044	+2.877
Other current liabilities	—	—	—
TOTAL CURRENT LIABS.	0.793	4.990	+4.197
Long term debt	—	1.894	+1.894
Capital	1.273	1.398	+0.125
Reserves	—	0.400	+0.400
Surplus	1.408	3.277	+1.869
TOTAL LIABILITIES	3.474	11.959	+8.485
WORKING CAPITAL	1.580	2.562	+0.982
Current Ratio	3.0	1.5	—1.5

Thumbnail Stock Appraisal



BUSINESS: Hercules Motors is an important manufacturer of internal combustion engines for trucks and buses, and for agricultural and industries uses. Engines are made for both gasoline and diesel fuel but the latter accounts for only a small proportion of output. Agricultural and industrial sources normally take the major part of production, especially for installation in farm tractors, harvesting combines, portable air compressors, welding apparatus, road machinery, cranes and hoists, and portable electric lighting equipment. Sales are largely domestic with exports normally about 10% of output. Production now is 100% for war purposes with emphasis on large size engines.

OUTLOOK: Engine demand for war use continues strong in line with the expanded truck program. Also, requirements of the farm equipment industry, an important customer, will increase in proportion to the sharply stepped up production quotas for the latter. Thus for the duration and despite rising costs, large volume should indicate at least well maintained operating income. The longer range outlook has promise, considering company's sound trade position and generally broadening markets for engines notably in agriculture where buying power is high.

COMMENT: 1943 net is estimated at $4 per share against $2.42 in 1942, reflecting not only expanding volume but the leverage arising from small capitalization. Prewar earnings, while variable, averaged nearly $2 per share but dividends were conservative to bolster working capital. Finances are regarded adequate in relation to prospective postwar needs and wartime plant expansion, self-financed, appreciably raises the company's production potential. A new type diesel injector pioneered by the company may make it an increasingly important factor in the diesel field after the war.

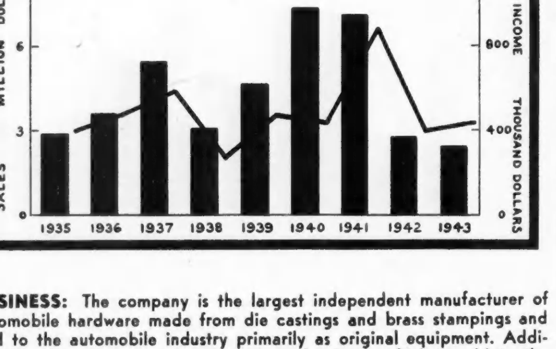
MARKET ACTION: Recent price—26½. Normally fairly volatile due to the cyclical factor, the common recently held close to its recovery high of 29½, meeting a good deal of speculative interest.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	0.321	1.676	+1.355
Marketable securities	—	—	—
Receivables net	1.614	3.258	+1.644
Inventories, net	1.648	7.792	+6.144
Other current assets	—	1.300	+1.300
TOTAL CURRENT ASSETS	3.583	14.026	+10.443
Plant & equipment	2.144	5.110	+2.966
Less depreciation	0.985	2.660	+1.675
Net property	1.159	2.450	+1.291
Other assets	0.297	0.837	+0.540
TOTAL ASSETS	5.039	17.313	+12.274
LIABILITIES:			
Accts. payable & accruals	0.844	6.782	+5.938
Reserves for taxes	0.164	4.304	+4.140
Other current liabilities	—	—	—
TOTAL CURRENT LIABILITIES	1.008	11.086	+10.078
Deferred liabilities	—	—	—
Long term debt	—	—	—
Reserves	—	1.000	+1.000
Capital	1.316	1.316	—
Surplus	2.717	3.911	+1.194
TOTAL LIABILITIES	5.041	17.313	+12.272
WORKING CAPITAL	2.575	2.940	+0.365
Current Ratio	3.6	1.3	—2.3

Thumbnail Stock Appraisal

8 Selected Low-Price Stocks of Sound Value



BUSINESS: The company is the largest independent manufacturer of automobile hardware made from die castings and brass stampings and sold to the automobile industry primarily as original equipment. Additionally, the concern makes refrigerator hardware which is sold to the Frigidaire Co. and General Electric, and household hardware and plumbing equipment for such large concerns as Crane Co. and American Radiator & Sanitary Co. In recent years, non-automotive activities have been steadily expanding, but at present facilities are concentrated on war work, filling substantial sub-contracts for armor plate and parts, mostly for tanks and other combat vehicles.

OUTLOOK: Fully converted to war work since 1942, a high rate of operations and fairly good earnings appear assured for the duration, but due to narrower margins, war work is not likely to compensate fully for the lost automotive business. Facilities for peace-time production are in good operating condition and reconversion will be simple. Postwar prospects depend largely on the outlook of the automobile industry, admittedly excellent, but continued growth of company's non-automotive business should lessen this dependence in the future.

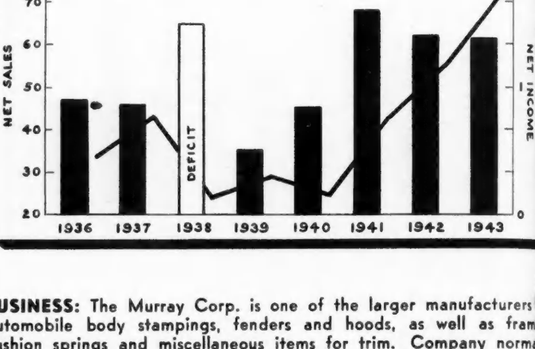
COMMENT: Earnings for the 1944 fiscal year should at least equal the $1.06 netted for the year ended June 30, 1943. After reconversion, prewar earning power averaging about $2 per share may be considerably exceeded for some time. Company believes a recently developed special wear-resistant treatment of piston rings for tank, truck, aircraft engines has a promising future. But apart from the concern's entrenchment in the automotive field, growing diversification elsewhere makes the stock a promising speculation on the postwar boom in the consumer durable goods industries generally. Finances are excellent.

MARKET ACTION: Recent price—14½. As in the past, the common can be expected to show about average volatility due to the cyclical factor.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	0.687	1.595	+0.908
Marketable securities	——	0.968	+0.968
Receivables, net	0.305	0.281	—0.024
Inventories, net	0.234	0.015	—0.219
Other current assets	0.032	0.055	+0.023
TOTAL CURRENT ASSETS	1.258	2.914	+1.656
Plant & Equipment	0.634	1.071	+0.437
Less depreciation	0.185	0.389	+0.204
Net property	0.449	0.682	+0.233
Other assets	0.010	0.064	+0.054
TOTAL ASSETS	1.717	3.660	+1.943
LIABILITIES:			
Accts. payable & accruals	0.088	1.012	+0.924
Reserves for taxes	0.135	——	—0.135
Other current liabilities	——	——	——
TOTAL CURRENT LIABILITIES	0.223	1.012	+0.789
Deferred Liabilities	——	——	——
Long term debt	——	——	——
Reserves	——	0.322	+0.322
Capital	0.300	0.300	——
Surplus	1.194	2.026	+0.832
TOTAL LIABILITIES	1.717	3.660	+1.943
WORKING CAPITAL	1.036	1.902	+0.866
Current Ratio	5.6	2.9	—2.7

Thumbnail Stock Appraisal



BUSINESS: The Murray Corp. is one of the larger manufacturers automobile body stampings, fenders and hoods, as well as fram cushion springs and miscellaneous items for trim. Company norm makes a good part of Ford truck and passenger car requirements a fair volume of Dodge trucks. Cushion springs are sold to Fo Chrysler, General Motors, Packard, Hudson and others. Plants are and around Detroit. A diversification program before the war in duced automatic stokers, kitchen sinks, steel cabinets and steel b room wares. Other new lines include parts for farm implements, wash machines and gasoline station equipment. An aircraft equipment d sion started late in 1940 is assuming major importance under the program.

OUTLOOK: War-time earnings should continue good and with craft work still expanding, may exceed the $1.46 per share reported the 1943 fiscal year. Longer term prospects are closely bound up w the automotive industry but growing diversification is increasingly l ening this dependence though the cyclical factor will remain importa With consumer durable goods generally expected to enjoy an tended postwar boom, the company should benefit in proportion to importance as a supplier of the various industries.

COMMENT: Finances improved considerably since 1938 as the b of earnings has been retained. While the speculative element fi expression in the erratic prewar earnings record, the stock must be garded cheap in relation to liquid assets, productive plant and fav able postwar outlook. Working capital is $9.50 per share and b value $19.50. Capitalization is simple, consisting solely of 950,615 c mon no par shares.

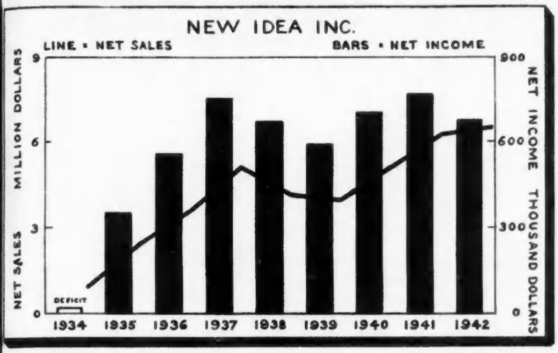
MARKET ACTION: Recent price—10½. Volatility of the stock been above average and should continue so, reflecting the leverage f tor in the company's operating margin.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	1.770	3.927	+2.157
Marketable securities	——	——	——
Receivables, net	0.903	6.957	+6.054
Inventories, net	2.183	5.661	+3.478
Other current assets	.702	10.888	+10.186
TOTAL CURRENT ASSETS	5.558	27.433	+21.875
Plant & Equipment	13.441	13.078	—0.363
Less depreciation	5.313	5.756	+0.443
Net property	8.128	7.322	—0.806
Other assets	1.737	2.090	+0.353
TOTAL ASSETS	15.423	36.845	+21.422
LIABILITIES:			
Accts. payable & accruals	0.885	6.379	+5.494
Reserves for taxes	0.047	2.723	+2.676
Other current liabilities	——	8.627	+8.627
TOTAL CURRENT LIABILITIES	0.932	17.729	+16.797
Deferred liabilities	——	——	——
Long term debt	——	——	——
Reserves	0.192	0.530	+0.338
Capital	9.506	9.506	——
Surplus	4.793	9.080	+4.287
TOTAL LIABILITIES	15.423	36.845	+21.422
WORKING CAPITAL	4.626	9.704	+5.078
Current Ratio	6.0	1.5	—4.5

Thumbnail Stock Appraisal

8 Selected Low-Price Stocks of Sound Value



BUSINESS: One of the smaller factors in the field, this company, organized in 1920, manufactures a line of farm implements and equipment consisting principally of the lighter types. Output is marketed through retail dealers throughout the Central and Eastern States, and some distribution is had in the Southern and Pacific Coast States through a few large distributors. The concern made good progress in a normally highly competitive field and managed to treble its sales since 1935 but net income expanded more slowly, reflecting the competitive character of the business. Still, per share earnings were consistently good, aided by a small capitalization.

OUTLOOK: Having had little or no war work, the company is almost fully back to normal output following recent lifting of most of the restrictions imposed earlier. Thus dislocations engendered by the war will have had little effect on its affairs, thanks to an initially strong inventory position which helped tide the company over the period of greatest production curtailment. Longer term prospects promise further growth in view of the substantial deferred demand for farm equipment which should keep the industry busy for several years. It offers an excellent opportunity for further improvement of the company's trade position.

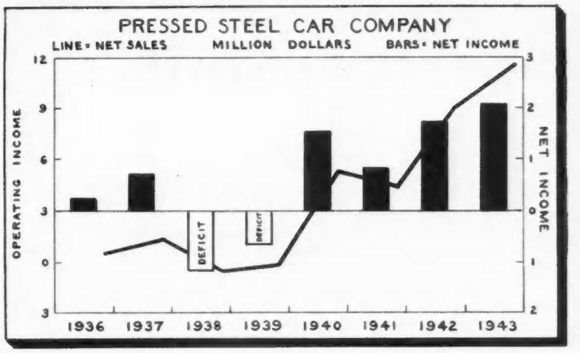
COMMENT: Wartime earnings held up better than expected and in 1944 may well tend upwards. Company enjoys strong working capital position and unusual liquidity arising from progressive conversion of receivables into cash. Presently, cash and marketable securities make up the bulk of working capital. Plant account is well depreciated, affording a low cost basis. Reflecting the company's sound position and future prospects, the common recently met good market support, approaching its 1943 high of 21⅞. Dividend yield is 5% on basis of 1943 payment of $1.

MARKET ACTION: Recent price—19½. While formerly lagging behind the market, the stock henceforth should display above average volatility in view of industry and company prospects.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	0.159	0.227	+0.068
Marketable securities	1.200	4.071	+2.871
Receivables, net	1.119	0.066	—1.053
Inventories, net	1.499	1.430	—0.069
Other current assets	——	——	——
TOTAL CURRENT ASSETS	3.977	5.794	+1.817
Plant & equipment	N.A.	1.551	——
Less depreciation	N.A.	0.940	——
Net property	0.628	0.611	—0.017
Other assets	0.074	0.099	+0.025
TOTAL ASSETS	4.679	6.504	+1.825
LIABILITIES:			
Accts. payable & accruals	0.192	0.169	—0.023
Reserves for taxes	0.130	0.881	+0.751
Other current liabilities	——	——	——
TOTAL CURRENT LIABILITIES	0.322	1.050	+0.728
Deferred liabilities	——	——	——
Long term debt	——	——	——
Reserves	0.300	0.550	+0.250
Capital	2.252	2.252	——
Surplus	1.805	2.652	+0.847
TOTAL LIABILITIES	4.679	6.504	+1.825
WORKING CAPITAL	3.655	4.744	+1.089
Current Ratio	12.3	5.5	—6.8

Thumbnail Stock Appraisal



BUSINESS: This is the third largest American freight car builder though its production potential is well below that of its two major competitors. Company also makes subway cars and buses, and the manufacture of parts and accessories as well as repair work is an important adjunct of the business. Rated plant capacity is about 27,500 freight cars annually. In the past, company obtained 8% to 10% of available freight car business. Since 1942, facilities were partly devoted to production of tanks and shell forgings, and the fabrication of armor plate and component parts for ships.

OUTLOOK: Year-end unfilled orders were about as large as the year before despite cutbacks in some ordnance lines. Ship fabrication work may decline in the near future but rail car work is mounting. With the railroad equipment industry on the threshold of a postwar boom, the company stands to be a particular gainer because of the existing high leverage factor. It is engaged in research for new and diversified products for postwar manufacture and planning for expansion of exports to take advantage of anticipated postwar potentials abroad. Both should moderate the future effect of cyclical fluctuations.

COMMENT: Reconversion to freight car output is well under way and with business potentials excellent for several years, the earnings outlook is promising. 1943 net was $2.59 per share against $2.18 in 1942. As better-margined regular output should increasingly gain in proportion, net should further improve, though for the duration the bulk will be offset by higher taxes. Finances are satisfactory with working capital currently $7.22 million. Debt is being steadily reduced. Selling only 5 times earnings, the common represents a promising speculation on the postwar boom in the rail equipment industry.

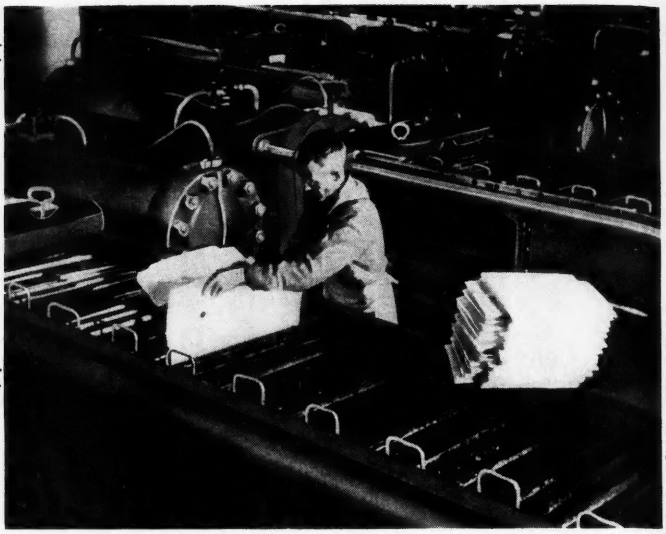
MARKET ACTION: Recent price—13¼, close to the 1943/44 highs of 13⅜. In view of its speculative character, the common normally displays above average violatility.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	Latest	Change
ASSETS:			
Cash	1.169	11.270	+10.101
Marketable securities	0.482	0.375	—0.107
Receivables, net	1.280	4.843	+3.563
Inventories, net	2.211	3.464	+1.253
Other current assets	0.233	14.637	+14.404
TOTAL CURRENT ASSETS	5.375	34.5[illegible]9	+29.214
Plant & Equipment	7.676	6.561	—1.115
Less depreciation	1.091	2.276	+1.185
Net property	6.585	4.285	—2.300
Other assets	1.240	2.499	+1.259
TOTAL ASSETS	13.200	41.373	+28.173
LIABILITIES:			
Accts. payable & accruals	2.218	13.240	+11.022
Reserves for taxes	0.178	1.419	+1.241
Other current liabilities	——	12.702	+12.702
TOTAL CURRENT LIABILITIES	2.396	27.361	+24.965
Deferred liabilities	0.219	0.071	—0.148
Long term debt	3.898	2.691	—1.207
Reserves	0.490	1.304	+0.814
Capital	4.772	3.761	—1.011
Surplus	1.425	6.185	+4.760
TOTAL LIABILITIES	13.200	41.373	+28.173
WORKING CAPITAL	2.979	7.229	+4.250
Current Ratio	2.2	1.3	—0.9

Thumbnail Stock Appraisal

Important Shifts In The Textile Industry



BY EDWIN A. BARNES

THE cotton goods field has been under pressure for many years from rayon as a competitor. Developments during the war make this only one of the many competing yarns and textiles which the cotton goods industry will have to face after the war, and the woolen cloth makers may also find growing rivalry from the newer textiles. Silk seems to have been hit very hard by the developments of the past four years and may never again have the strong grip it held on the American market until 1939.

A large number of new names have been appearing in the cloth and yarn field. First it was the dozen or more larger manufacturers of rayons. Then E. I. du Pont de Nemours held great attention through its Nylon. Here are only a few of the companies which may be among the important factors in yarn and cloth in postwar years: Dow Chemical, National Dairy Products, Eastman Kodak, Union Carbide & Carbon, Firestone; Goodrich and Goodyear; Corn Products Refining and some of the larger glass companies, especially Owens-Illinois.

The names seem fantastic as associated with the textile industry, but there are so many different kinds of thread and yarn being turned out at present that it may be that even stranger things than the combination of coal, air and water to make Nylon will be developed from the chemists' retorts in the future. There is a fabric with many of the advantages of wool made from casein, which is derived from milk. There is a cord, stronger than almost any previously known, made from a plastic which is already in use for fabrics that need toughness. A glass thread, which can be spun so fine that a material looking like silk for milady's dress is made from it, was developed several years ago. A waterproof material from a plastic is being used by the Navy for sea duty and it has vast postwar possibilities, being wrinkle-proof and crack-proof. A fabric made from corn products and others made from soybean derivatives may be on the market. To add to all of these materials, there are possibilities for a comeback for linen, jute, sisal, hemp, and other vegetable fibers which have been in eclipse during the war.

In addition to the raw materials which have been found adoptable for making a thread or a yarn, petroleum and resin have been added to asbestos in recent years as minerals that can be converted into fibers for spinning or weaving.

Price is going to be a great factor in the future textile markets, as well as serviceability, except in stockings. Even the great relative cheapness of cotton hosiery does not make the ladies favor them over nylon or silk stockings. Rayon stockings have been improved but it is generally believed that the postwar markets will go back to the nylons first, and rayons and silks second. In cloth, however, where other things seem equal, it is going to be price which may make the market for a new textile or keep it for an old one. Some of the synthetic materials have promise of getting a great part of the markets in upholstery, drapery and material used for covering things, because of having greater durability than the products of vegetable or animal origin.

One of the most profitable outlets for cotton during the past forty years has been in making cord for use in motor car tires. During the war, nylon and rayon have been making extensive gains in this field, and a further gain for these synthetic materials seems likely for postwar days. It may be some time after the European phase of the war ends before the automobile companies will be making a limited number of pleasure cars and not until after the Pacific war is over before full scale motor car making is resumed. That may mean a corresponding lag in the work of the tire makers, and it is during that time that the fight will open between cotton cord, nylon cord and rayon cord for the major portion of the market. It seems probable that cotton tire cord will be in far less demand a few years after the war than it is now or was before the war, with nylon, because of its great durability, likely to out-distance rayon cord. In the making of parachutes during the war, as a clue to this, nylon was used in much larger quantity than rayon.

In one field cotton may hold its ascendency for some time: that of sheets, pillow cases, towels and underwear, also for men's shirtings. Even here, however, both nylon and rayon may challenge cotton goods. Both have broad possibilities, if higher price can be removed as a handicap. It is also within reason that these two syn-

thetics may meet competition in this field from some of the fabrics made from plastic materials.

In connection with the new synthetic textile material, everyone has noticed the advertisements of some of them in the national magazines. Thus Dow Chemical has a picture in colors of Saran, with two strong-looking hands tugging hard at strands of a fiber, but not breaking it. Beneath it are pictures of the actual cloth in various colors. Of Saran, the ad states: "New Strength for Future Fabrics." Also, "Colorful fabrics woven from Saran filaments of extraordinary strength . . . . a tough material highly resistant to chemicals and is unharmed by rain, oils, acids and grease. Cloth made from it possesses remarkable durability. Saran is well adapted to the manufacture of shoes, handbags, draperies—transportation seating, and furniture upholstery . . . . cleansed with just soap and water."

Makers of Synthetics

Union Carbide & Carbon says of its Vinylite, "Spun plastics made from vinyl resins are resistant to rot. Right now, such plastics are used for making jungle hammocks, ropes and vital chemical filters. They also can be fashioned into draperies, upholstery, stockings and other articles of clothing—sun-proof, water-proof and moth-proof."

B. F. Goodrich Co. has been developing its Koroseal before the war for a coating on fabrics to make waterproof shower curtains, raincoats, umbrellas, baby pants, etc. It keeps the material from "stiffening or cracking when wet or folded, or from getting sticky in hot weather. It is without odor. It withstands grease or salt water." This material is used on a fabric now, but it could be cotton goods, jute, or even Dow's Saran, depending on serviceability and price.

The textile industry has had extraordinary prosperity in the past few years, a direct result of war conditions, not only in the enormous demand for the use of the armed forces, but also as a direct result of cutting off imported goods. Before the war, a number of cotton and woolen goods items were imported, and some rayons; also practically all of our raw silk and some silk goods; most of our linens were imported; jute and sisal hemp were imports and so were some other vegetable fiber materials. The domestic textile industry had to find substitutes for much of this from 1939 and much more after December 1941. It may be a year, possibly two years, before foreign competition will be a factor again in the domestic cottons and woolens markets, but before that, the domestic scene may witness the struggle for markets between nylons, rayons and cottons; also between some of the synthetic textiles and woolens.

The statistical table is arranged to give the contrast between the earnings and dividends of some of the leading companies in the various branches of the textile industry, for the five years before 1939 and the five years 1939-1943, inclusive. In the first period, foreign competition existed. In 1939-41, this competition dropped sharply and practically disappeared in 1942, with that year and 1943 witnessing the huge demand for clothing and cloth for the armed forces and other government users. Without exception, the net earnings per share in the second five years period were higher than in the pre-war five years, and in most cases were very much higher. Yet this great increase in income was after higher costs of operation, higher wages and enormously higher taxes in the second five years. Dividends, however, were not higher, as a whole, and for many companies in this group were lower in the second five years, indicating that the managements are fortifying their cash positions for the fight for markets which lies ahead. As for market prices, only one third of the companies in the table showed a higher level attained in 1939-43 than in 1934-38, and the others did not duplicate the previous highs in the past five years. This is an indication that the stock market had looked more keenly at the postwar possibilities than at the high earnings of the war years.

Possibly no company in the textile group has taken as many steps to insure its future as has Celanese Corporation of America. It has developed a wide line of celanese fabrics, specializing on dress goods, but also for many other uses. It has a very large production of cellulose acetate yarns. For many years, it has been developing plastics under the trade-name Lumarith, which have uses in dozens of different articles in all colors from crystal clear to black. In 1943, the company announced its extension into the chemical field. It is going to be a competitor for the tire cord business after the war, just as it was one of the rivals of nylon with an especially strong yarn for the parachute business in recent months. Celanese has rather heavy funded debt and preferred stock issues ahead of its 1,376,551 shares of no par value common stock. Earnings have been good in every year since

Statistics on Leading Textile Stocks

	EARNINGS PER SHARE			DIVIDENDS PER SHARE			PRICE RANGE FOR STOCK					
	Average 1934-38	Average 1939-43	1943	Average 1934-38	Average 1939-43	1943	1934-1938 H.	1934-1938 L.	1939-1943 H.	1939-1943 L.	1943 H.	1943 L.
Adams-Millis	$2.97	$3.04	$2.59	$1.90	$1.35	$1.75	37¼	14½	32½	16⅛	32½	25½
American Woolen	D.5.80	8.43	13.20	—	—	—	14⅜	3¼	15¼	3½	8⅝	3¾
Burlington Mills*	1.72	4.25	3.97Oc	0.87½	1.51	1.90	18⅜	6¾	31½	11½	31½	20½
Cannon Mills	2.96	3.63	4.50E.	2.08	2.06	2.00	68¾	21	47¾	29½	47¾	36¼
Celanese Corp.	1.59	3.72	2.83	0.75	1.55	2.00	44⅞	9	40⅜	13⅝	40⅜	26¾
Consolidated Textile	D.0.28	0.58	1.45Ag	—	—	—	2⅛	1/16	4½	1/16	4½	1⅞
Gotham Hosiery	0 31	0.66	1.24	—	0.19	0.50	14⅜	2½	9⅞	1	9⅜	4¼
Industrial Rayon	0.97	2.57	2.25E.	1.52	1.95	2.00	47½	14⅜	44¾	16⅜	44¾	32¾
Julius Kayser	1.02	2.26	3.58Je	1.13	0.95	1.00	33¼	10½	18	6⅛	17	11¼
Pacific Mills	D.2.03	5.73	5.85	0.60	0.90	2.00	47¼	9¼	28⅝	8	28⅝	19
Pepperell Manufact.	4.89	17.05	20.19Je	6.40	7.40	10.00	151	52¾	123	53	123	104
United Merchants & Mfg.	1.16	5.46	8.70Je	0.19	1.05	2.25	23	4½	29¾	6	29¾	16⅜

*In 1934-8 period, figures for this company only 1937 and 1938.
D.—Deficit. E.—Estimated. Je —Year to June 30. Oc—Year to October 31. Ag—Year to August 31.

1932, excepting 1938, averaging about $2.71 per share.

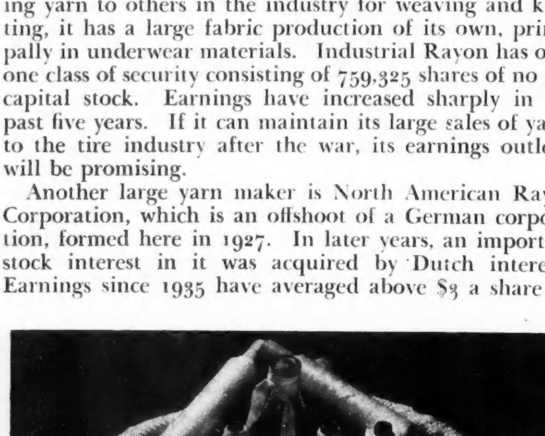
Some of the other rayon companies were started with foreign capital or are offshoots of companies with their main offices in Europe before the war. One of the most interesting of these is the American Enka Corporation. It was a subsidiary of a Dutch company and control of it is now lodged with the Dutch government in exile. It has also specialized in colorful dress fabrics. The company is now expanding its production through the erection of new plants, which may add to its earning power. It has shown earnings of better than $5 a share annual average for the past five years on its 372,550 shares of no par value capital stock, with no bonds or preferred ahead of it. Dividends have averaged above $4 a share during the five years.

American Viscose Corporation was originally a branch of an English rayon company. It was made independent by its parent, Courtauld's, Ltd., in 1937, to become the largest producer of rayon yarn in the United States, making both viscose and acetate rayon yarns. Net earnings on the common stock, consisting of 1,720,443 shares of $14 par value, have averaged above $3 a share annually in the past five years. Dividends in the past two years were $2 a share each.

American Bemberg Corporation makes a specialized rayon yarn which has greater strength than many others, and is considered as the most closely akin to silk in appearance. It is used mostly for combination with other rayon yarns for making underwear and dress goods. Earnings were close to $2 a share annual average before 1941 on the common and B stocks, but fell off sharply in the past three years. A recovery in 1944 is expected.

Industrial Rayon Corporation is in third place in the domestic field in total output of rayon yarn and it is expanding its plants in preparation for a large addition to its production of rayon yarns for tire cord. Besides selling yarn to others in the industry for weaving and knitting, it has a large fabric production of its own, principally in underwear materials. Industrial Rayon has only one class of security consisting of 759,325 shares of no par capital stock. Earnings have increased sharply in the past five years. If it can maintain its large sales of yarns to the tire industry after the war, its earnings outlook will be promising.

Another large yarn maker is North American Rayon Corporation, which is an offshoot of a German corporation, formed here in 1927. In later years, an important stock interest in it was acquired by Dutch interests. Earnings since 1935 have averaged above $3 a share on the A and B common stocks. Dividends have been $2.25 a share, or better, on these stocks in recent years.



Tubize Rayon Corporation recently was recapitalized and took its present title, having formerly been the Tubize Chatillon Corporation. It has developed certain processes, which have been adopted by other rayon companies under licenses from Tubize, for yarns. It is a producer of both cellulose acetate and viscose rayons. Late in 1943, the old common and "A" stocks were exchanged for a new common, with 702,871 shares of $1 par value of the new common issued. The company plans to retire some of its preferred stock shortly. Earnings in terms of the new common stock averaged about $1.70 a share in the past five years. No dividends were paid on the old common, but the new received an initial dividend of 25 cents a share on January 1, 1944.

Cotton Goods Makers

Burlington Mills has been mostly a cotton goods company for a long period of years but when it was reincorporated in 1937, it acquired a rayon company and has been active in that field in the succeeding years, also keeping up its production of some women's wear cotton dress fabrics, and mixtures of cotton and rayon yarn goods. It makes women's stockings and other hosiery, in both fabrics. Through work for the armed forces, the company has developed a number of new fabrics and yarns. It has had excellent earnings since it was started in its present form in 1937, showing an average of $3.54 a share for the seven years 1937-43, inclusive. The best year was 1942 when $6.28 a share was reported on the common stock, of which 870,288 shares, par $1, are outstanding. Dividends have been paid in the seven years, varying from 75 cents a share in 1937 to $1.90 a share in 1943, with the average payment $1.33 a share annually.

Only a few of the distinctly cotton-goods companies are known to the general public. There are hundreds of them, but this industry is mostly in the hands of smaller units, or some of the largest mills are privately owned or only have a small public ownership in their stocks. One of the largest in this field, with most of its properties engaged in making cotton goods, is the United Merchants & Manufacturing Co. This is a holding company which owns the stocks of companies operating eight plants, mostly cotton goods, but with some rayon production. It also has an interest in four other plants and it operates a factoring business through another subsidiary. It has had a good earnings record, with fair profits in the early 1930s, a deficit in 1938, then large profits in succeeding years. For the five years 1934-38, the deficit in the last year brought the average down to $1.16, but for the five years 1933-37, United had averaged $1.98 a share annually. In the five years 1939-43, the average annual income was $5.46 a share on the 575,174 shares of $1 par common stock. The best year in this period was that to June 30, 1943, when net was $8.70 a share. There are prospects that this will be exceeded in the current fiscal year (to June 30, 1944) as the net for the six months to December 31, 1943, was $5.11 a share and operations of most of the company's plants are at a very high rate. The company has retained a large part of the large earnings of recent years as dividends have been conservative, averaging only $1.05 a share a year in the past five years, although $2.25 was paid in 1943. As of last June 30th, 1943, the company had over $40,000,000 current assets of which over $10,000,000 was in cash and over $17,000,000 in receivables. Net current assets were nearly $22,000,000, equal to over $38 (*Please turn to page* 695)

SIX STOCKS OFFERING SECURE HIGH YIELDS

BY GEORGE MATHIS

WITH the market at a medium-high recovery level, it is no longer at all easy to find stocks of good quality which offer liberal dividend yields, and on which the continuity of payments—at or close to present rates—seems assured as far ahead as one can foresee.

Most of the more popular industrial stocks offer current yields around 4 per cent; some, carrying an optimistic premium for future "growth," yield only 3 per cent. At the other extreme are yields of 10 to 12 per cent, or even more, on speculative issues of enterprises that are in the money now but whose post-war prospects are cloudy.

The investor who is chiefly concerned with income yield—or who demands a good current return combined with moderate potentials for capital gain over the longer swings of the market—will do well to avoid both extremes. For his purposes, a 3 or 4 per cent yield on common stocks is not enough—especially when income taxes are deducted. On the other hand, radically high yields are in themselves a warning that the dividend can not be considered secure.

In buying equities for the objectives cited here, perhaps a reasonable middle-of-the-road policy would be to aim at yields averaging, say, 5½ per cent. To get even that return—with adequate safety—requires considerable "shopping around" and careful selection. With at least some stocks of good quality, however, it is possible to better this figure, as is proven by the list of six issues that I have selected for this brief discussion, and for which pertinent background statistics are shown in the accompanying tabulation.

The current yields on these six stocks range from approximately 5.8 per cent, up to 7.4 per cent, and they average exactly 6.5 per cent. None, to be sure, is a du Pont or an Eastman Kodak. On the other hand, none would be out of place in a "quality" list, and all—as their ten-year records of dividends and earnings illustrate—are far removed from the class of speculative, in-and-out earners.

Chesapeake & Ohio is a premier railroad stock with a long-term earnings and dividend record far superior to those of the overwhelming majority of leading industrial stocks. This writer considers its post-war prospect substantially less conjectural than that of the average industrial, since conjecture here need not go beyond the question of whether we are going to have a prosperity level of post-war business; whereas for a great many industrial enterprises you have not only the same general conjecture but further conjecture as to post-war competitive status, new products, financing needs, etc.

This railroad's present $3.50 dividend compares with ten-year dividend average of $3.14, ten-year earnings average of $4.24. Net per share last year was $4.04. Lowest net of the 1934-1943 decade was $2.62 in depression year 1938, highest was $5.79 in 1941, though closely approached by $5.72 in 1936. Lowest dividend in the ten years was $2 in 1938, highest was $3.80 in 1936 and 1937. I doubt very much that this dividend will be shaved during the reconversion decline in business activity. Even if it *were* temporarily shaved, however, the lowest rate imaginable to the writer would probably still yield over 5 per cent on current price.

Ten-Year Record of Six Good Stocks

	Dividends Paid											Earnings		Recent Price	Approx. %Yield
	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	10-Year Average	10-Year Average	1943		
Chesapeake & Ohio	$3.50	$3.50	$3.50	$3.25	$2.50	$2.00	$3.80	$3.80	$2.80	$2.80	$3.14	$4.24	$4.04	47	7.4
Columbia Broadcasting	1.80	1.50	2.00	2.00	1.50	1.25	1.30	1.65	1.30	1.37	1.37	2.35	2.64	28	6.7
Commercial Credit	3.00	3.00	3.00	3.25	4.00	4.00	4.00	3.37	2.25	1.25	3.11	4.55	3.17	41	7.1
Pacific Gas & Electric	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.62	1.50	1.50	1.86	2.36	2.23	33	6.0
Perfect Circle	2.00	2.25	1.90	2.00	2.00	1.50	3.25	3.25	2.00	2.00	2.61	2.21	2.50(E)	33	6.0
Standard Oil of Ohio	2.50	2.25	2.50	2.00	1.50	1.00	1.50	2.00	—	—	1.52	4.32	5.31	43	5.8

(E) Estimated; company does not issue interim reports.

Columbia Broadcasting is a growth situation. But because it is subject to a still incompletely determined degree of Government control, it is priced like a utility—and not even as high as many utilities, though its growth record in earnings and dividends over the past decade has been superior to those of most utilities. On the record, it has done all right under the New Deal. Since the New Deal is on the way out—though Mr. Roosevelt may not be—one wonders how the political "threat" in future could be any worse than it has been. That the management itself is not particularly fearful is suggested by recent increase in the quarterly dividend rate to 40 cents. With usual year-end extra, 1944 distribution probably will exceed last year's $1.80 on which our tabulated yield is conservatively calculated. Post-war volume gain, with eventual tax reduction, should in time carry net well above $3 a share.

Commercial Credit has an excellent ten-year record, fairly good current earnings ($3.17 per share for 1943 against $3.55 in 1942, despite the further large shrinkage in installment receivables under existing consumer credit restrictions) and excellent post-war prospects. The 1943 earnings cover the $3 dividend with a margin of only 17 cents, but are conservatively calculated and financial position is both strong and highly liquid. Due to diversification in insurance, factoring and manufacturing, gross income exceeded that of 1942, despite decline of about 16 per cent in installment financing volume. Net before taxes was less than 5 per cent down from 1942; and decline of 38 cents a share from 1942 earnings could be accounted for by increase of nearly 50 per cent in reserve for "renegotiation and/or excess profits tax" which may—and probably will—prove over-conservative.

On this showing, the $3 divi- (*Please turn to page 692*)

BORG-WARNER

Present Status; Post-war Potentials

BY ROGER CARLESON

SUCCESSFUL diversification has always been regarded one of the soundest tests of corporate management. Borg-Warner, leader of the diversification movement in the automotive parts industry, has met this test with flying colors and as a result has emerged from the intra-industry upheavals of the past two decades as one of the outstanding and most widely diversified combinations embracing a broad field of operations.

Borg-Warner has been particularly successful in its diversification policy, thanks to a far-sighted management which in embarking upon diversification chose to follow the natural development pattern of its organization, seeking new markets for products involving metallic pressing, cutting and stamping operations for which it was well equipped, rather than venturing into new production merely for the sake of developing new customers without regard to the characteristics of its field. Moreover, in entering the consumer durable goods field, then at the threshold of its amazing growth, the management correctly anticipated the trend of demand.

Prior to this, concentration of automobile production among a few large corporations tremendously intensified competition in the automotive accessory industry and as a result of the gradual liquidation of unprofitable automobile makers, the accessory and parts industry lost many of its outlets. Concentration of buying power in the hands of General Motors, Ford and Chrysler increased their bargaining advantage. Under pressure of close buying by a few large motor manufacturers, profit margins of the parts industry slumped. Some, because of a shift by a single manufacturer, lost a great part of their business.

This situation made itself first felt in the mid-Twenties and Borg-Warner proceeded forthwith to do something about it. It progressively acquired a number of smaller parts and accessories makers to strengthen its position in the automotive field. When potentialities therein seemed to approach the saturation point, the company unhesitatingly branched out into the up and coming household equipment field. As a result, the concern has prospered where others had to struggle and frequently fought a losing battle. There were other parts markers who likewise diversified successfully but both in scope and direction, Borg-Warner's development was singularly cutstanding. Having a close-knit group of buyers to deal with in the automotive field, their concentration of allied products output under one control helped not only to solve the problem of distribution but, more important, made bargaining power more equal. It was in fact the only answer to the problems created by the vertical expansion of the automobile industry.

Today, Borg-Warner's list of peacetime products consists of several hundred. The company not only makes a wide range of automotive parts and accessories but many kinds of household appliances: refrigerators, heating and air conditioning apparatus, gas and oil burners, electric washers, water and

PERTINENT STATISTICAL DATA

	1939	1940	1941	1942	1943
Sales ($ mills)	64.13	75.16	119.3	144.2	N.A.
Depreciation ($ mills)	1.90	1.72	1.83	2.58	N.A.
Balance for common ($ mills)	5.68	6.73	7.47	7.21	N.A.
Operating margin	16.6%	18.9%	23.6%	21.5%	N.A.
Net profit margin	8.86%	8.95%	6.26%	5.00%	N.A.
% earned on invested capital	14.3%	15.8%	20.2%	18.8%	N.A.
Earned on common, per share	$2.43	2.88	3.20	3.09	3.30E
Earned on common, % of market price	6.5%	7.7%	8.5%	8.2%	8.8%E
Dividend rate	$1.35	1.50	2.00	1.60	1.60
Dividend yield	3.6%	4.0%	5.3%	4.3%	4.3%
Current Asset value, per share	$13.55	16.20	22.80	35.10	43.10
Book Value, per share	$16.61	17.89	19.70	21.85	24.57
Net current asset value, per share	$10.20	11.95	12.65	13.54	15.73
Cash asset value, per share	$4.22	7.22	7.23	11.72	14.13
Current Ratio	3.9	3.7	2.2	1.6	1.57

E—Estimated. N.A.—Not available.

milk coolers and many others. Norge, the name of its appliance division, has become a household word.

Additionally, the company makes a line of farm implements, specialty steel products and a wide variety of industrial parts such as roller chains, flexible couplings, industrial clutches and others. Last but not least, it has an efficient aircraft equipment division.

To facilitate its expansion, the company since 1930 has consistently added to the plant capacity for its non-automotive lines, and only in 1938 announced a new expansion program of $2 million to be divided between new construction and modernization. As a result of the latter, capacity was augmented by about 20%. Diversification, in fact, together with non-automotive expansion, has steadily reduced the relative income from automotive lines to about 40% of gross revenues in 1940. Thus Borg-Warner is no longer an automotive parts concern primarily; rather, it has become an outstanding factor in the consumer durable goods field and as such can look forward to exceptionally bright postwar prospects in a broad field where deferred demand is enormous.

The war naturally has interrupted normal activities to a considerable degree. The Norge division early in 1942 almost completely discontinued manufacture of home appliances and like the automotive and other divisions has since been predominantly in war work. War products in 1942 made up over 78% of total company output; thereof 36% was for the Army, 31% for the Air Force and some 10% for the Navy. The 1942 output for civilian use amounted to only 22% of the aggregate: of this, 11% consisted of automotive products, 4.5% of household appliances, 4% of miscellaneous industrial products and 2.3% of agricultural implements. This is a radical shift from 1939 when automotive products accounted for 56% of total production, home appliances for 26%, agricultural implements for 6.25%, industrial products for 8.74% and aircraft parts for 3%.

Reconversion Costs Moderate

Today, fully 90% of Borg-Warner's output consists of war products. However, much of the company's ordnance production does not differ greatly from its ordinary manufacture and hence the firm does not face any "appalling expenditures" for reconversion, according to its President Davis. In the latter's opinion, the concern's long record of making mechanical products and devices should greatly facilitate the change-over when the time for it comes.

When the war ends, Borg-Warner will face a bigger demand for its products than ever before in peace time. The Norge division alone anticipates an immediate postwar production—when fully reconverted—of 25% to 40% over the best pre-war year, 1937, when the company's aggregate sales came to over $90 million compared with 1942 sales of $144 million. Norge has ambitious plans. It has arranged for manufacture of a complete line of its products in Canada after the war and expects to do a tremendous export business to other parts of the world. Already, it has a large backlog of export inquiries for the future.

The automotive division expects to prosper with the revival of automobile manufacture and should be kept busy at capacity for anywhere from 2 to 4 years; the aircraft parts division can be expected to garner its share of available peacetime business which, while far below current levels, should nevertheless considerably exceed prewar volume. The agricultural implement division can be relied upon to benefit proportionately from the impending boom in the farm equipment industry, reflecting large deferred demand and high agricultural buying power. The industrial division, while perhaps less active than now, should at least for some time be well sustained by the demands of general industrial reconversion and later by the postwar recovery cycle. Borg-Warner, in short, appears to have little to worry about postwar markets, thanks to its entrenchment in fields where potentials are above average. But planning of management does not rest here; the policy of constructive diversification is constantly kept in mind and development work has never ceased. Financially, too, it is preparing for reconversion and transition for which purpose it recently arranged a VT loan of $50 million on top of a similar arrangement for $15 million made some time ago. None of these funds is presently needed or utilized; however, since reconversion expenditures will be nowhere near such an amount (will in fact be fairly moderate), these financial arrangements point to aggressive postwar production and marketing policies.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1941	Sept. 30, 1943	Change
ASSETS:			
Cash	10,044	47,179(a)	+37,135
Marketable securities	7,057	6,012	—1,045
Net receivables	12,756	24,829	+12,073
Net inventories	24,104	21,980	—2,124
Other current assets	——	1,176	+1,176
TOTAL CURRENT ASSETS	53,961	100,176	+47,215
Plant & Equipment	25,509	29,226	+3,717
Less depreciation	9,703	13,892	+4,189
Net property	15,806	15,334	—0,472
Other assets	3,739	6,442	+2,703
TOTAL ASSETS	73,506	122,952	+49,446
LIABILITIES:			
Accts. payable & accruals	9,096	13,268	+4,172
Reserves for taxes	15,326	18,778	+3,452
Other current liabs.	——	32,344(b)	+32,344
TOTAL CURRENT LIABS	24,422	64,390	+39,968
Deferred liabs	0.070	0,242	+0,172
Capital	12,310	12,310	——
Reserves	3,348	5,826(c)	+2,478
Surplus	33,356	40,184	+6,828
TOTAL LIABILITIES	73,506	122,952	+49,446
WORKING CAPITAL	29,539	36,786	+7,247
Current Ratio	2.20	1.57	—0.63

(a) Whereof $14,144 restricted. (b) Includes $14,144 advances on Govt. contracts and $18,200 provision for renegotiation. (c) Includes $4.500 contingency reserve.

Financially, the company has weathered the war period without recourse to outside borrowing despite the substantial capital needs for war work which required a moderate resort to Government credit. As can be seen from the accompanying balance sheet analysis, asset expansion since 1941 amounted to over $49 million of which some $14 million were derived from Government advances on outstanding war contracts. Most of the remainder was financed by retained earnings. Current assets almost doubled during this period but current liabilities expanded even more, resulting in the narrowing of the current ratio to 1.57 from 2.20 in 1941, 3.70 in 1939. Considering the huge volume of business done, the war-time increase in working capital remained quite small, amounting to only $7.24 million since 1941 which clearly reflects the strain on working assets imposed by the company's policy of self-financing to the greatest possible degree. Net property account, well depreciated, actually decreased since 1941 (*Please turn to page 692*)

Rebirth of The Coal Industry

BY FRANK R. WALTERS

DURING the 1930's the coal stocks vied with the fertilizer and utility holding company groups for the "cellar position" among the market averages. Coal was probably the only group which failed to reach its average 1926 level in 1929; and in 1932 the average for eight stocks stood at only 7% of the 1926 average. The present price level, despite war prosperity for the industry, is only about double the 1932 low. The all-industrial index on the other hand is three and a half times the 1932 low, and above the 1926 average.

The decline in the coal industry was largely due to two factors—increased efficiency of our power equipment, and competition from oil, natural gas, and hydro-electric power developments. Increased efficiency in fuel consumption is illustrated by the fact that in 1941 it required only 1.34 pounds of fuel to produce a KWH, compared with 4.50 in 1913; and in 1941 railroads burned only 111 pounds of coal to produce one-thousand ton miles compared with 164 pounds in 1919.

During 1901-1905 bituminous coal produced 71% of our power, and anthracite 18%—a total of 89%; oil, natural gas, and water power are counted for the remaining 11%. During 1926-30 the percentage supplied by coal was only 63%, while oil and gas supplied 30% and water power 7%. By 1938 coal had dropped to 46%; oil and gas totalled 44%, hydro 11%. In 1941 (latest available) coal had staged a comeback to 51%, and has probably made a further gain since that time, due to the huge diversion of oil products to the armed forces.

Is the current gain in coal usage temporary? Construction of the new pipelines will facilitate postwar transport of oil, gas and gasoline; and the return of the coastwise tankers from their war duties will help restore the business to normal. However, James A. Moffett, former Standard Oil executive, claims that the new pipelines are much less efficient than has been claimed in some quarters.

If the present talk of an increase of 35c-50c per barrel in crude oil prices materializes, this will be a competitive aid to the coal industry. Talk of an oil shortage has, however, been considerably exaggerated. Oil reserves are still sufficient for many years' use, even at the present abnormal rate of consumption. However, fuel oil competition may prove a less serious factor after the war than during the 1930's. The rationing of fuel oil has checked the move for conversion to oil burners and the industry is hopeful that it can maintain its position in the residential heating field, aided by further use of mechanical stokers and other improvements. The growing use of oil for producing synthetic rubber and chemicals, high octane gasoline for air transport, etc., will cut into the supply of available fuel oil. Increased use of oil and gasoline by railroad diesel engines, farm tractors, airplanes and pleasure automobiles, will also affect the supply for fuel purposes.

Natural gas will be a more important competitor than oil in the postwar period. While reserves in the Appalachian field are now being depleted by war demands, the completion of the new pipeline from Texas to Virginia (construction of which is expected to be completed by the beginning of the heating season next fall) will open up the huge Gulf Coast reserves to the industrial east. The industry has a big price advantage over both coal and oil; gas is easy to handle and has plenty of BTU's. While leading utilities in the metropolitan New York district have thus far been opposed to bringing it in to New York for mixture with manufactured gas, they may have to yield to this logical development in the future.

Increased competition from hydro-electric power is probably not a very important factor. Coal and waterpower do not seem to occur plentifully in the same areas —our biggest coal resources are in the east, the biggest hydro-developments in the west. While new inventions may ultimately make it practicable to send high tension currents over a long distance, at present 250 miles appears to be about the economical limit, due to line losses and other factors. Of course where one utility system is hooked up with another to form a "superpower system," this difficulty is overcome; but for the present the big hydro-electric power output of the Pacific northwest cannot be sold in the east where it would have the best market.

The coal industry suffers under the handicap of recurring labor problems, as amply demonstrated in the past year, and this reflects the unfavorable employment conditions of this sub-normal industry. Last year bituminous output was cut 35,000,000 tons or more by strikes despite an increase in the work-day to 8 hours. Demands for coal in 1944 are estimated at 3% over the 1943 quota, or 620,000,000 tons. In addition to our domestic shortage, coal must be supplied to lower Italy and other liberated areas formerly supplied by Germany. Secretary Ickes, Solid Fuels Administrator, recently stated that while 1944 would be another "tough" year because of low stocks on hand, rationing will not be attempted because the system would be too inflexible.

With a tremendous demand for the product and price increases sufficient to compensate (partially at least) for higher labor costs, coal earnings for the past four years

have been more satisfactory than for many years previous. During the period 1932-39 the industry had just about broken even, deficits in 1932-3 and 1938 being offset by modest earnings in other years.

Earnings in 1943 averaged only slightly better than in 1942, due largely to strikes, but, with labor difficulties temporaily adjusted, 1944 earnings are expected to show improvement. An average increase in bituminous coal prices of 23 cents a ton was permitted January 30, 1943, and 17 cents November 3, to take care of increased labor costs. Anthracite has been allowed a temporary adjustment of 62 cents a ton. The coal companies in general are in a favored tax position, large tax exemptions being aided by provisions permitting an increase in the credits amounting to one-half the profit per ton on production in excess of the 1936-39 average.

The Post-War Outlook

What about the immediate post-war outlook? The coal industry at least will face no transition problem, except that it will be geared to the level of industrial activity which may decline temporarily during the retooling period. Surveys conducted by the Chamber of Commerce of the United States indicate that there will be a post-war demand for some $21,000,000,000 of automobiles, electric appliances, furniture, housing, etc. We may not be able to maintain the present abnormal level of $140,-000,000,000 national income, but there should be plenty of business for manufacturing companies as soon as they can adjust themselves. In fact the transition is well under way in certain lines, though the automobile industry will apparently have to await peace either in Europe or Asia before it will be permitted to produce passenger automobiles. However, discussions are under way already, with WPB encouragement, regarding the handling of transition problems.

A favorable cost factor for the coal companies will be the reemployment of younger and more efficient miners now in the armed forces, as a substitute for the older men. However, labor will remain the industry's greatest problem, and the 6-hour day, for which there was prewar agitation, would mean a substantial increase in costs. Moreover, the more John L. Lewis demands for his henchmen, the greater the incentive to the owners to mechanize their mines. This, in turn, of course, releases a part of the labor supply leading to continued labor difficulties. Here, as in England, coal mining appears to be a lifetime occupation for many men and the industry is relatively inflexible from a labor standpoint.

The export demand for coal after the war should be excellent, in order to rebuild depleted European stocks, but the outcome is largely dependent on our post-war shipping policies, which will determine our ability to compete with Britain and other countries as to shipping costs.

While current and projected pipelines may extend the transportation of natural gas, this may be offset to some extent by the tendency in some quarters to conserve our national gas supply by curtailing or preventing its use as industrial-boiler fuel. Moreover, the enforced conversion from oil to coal by many large industrial consumers during the war, will probably not be reversed in the near future. The big plants have had to spend large amounts for such conversion and will not want to scrap the new equipment immediately. Moreover, the concern manifested by the Federal government over declining oil supplies may influence many industrials to retain coal as their fuel, because of the almost unlimited available supplies in the ground.

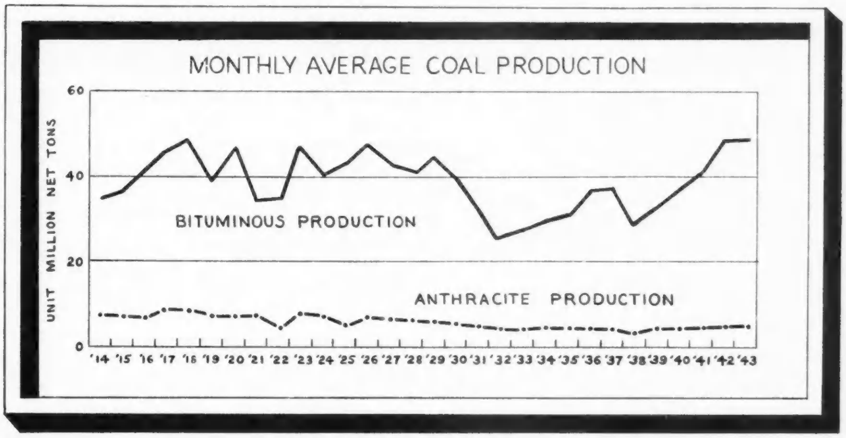
Both the bituminous and anthracite industries are now conducting research programs designed to prevent the industry from slipping back into its depressed condition of the 1930's, and to compete more effectively with other fuels.

Bituminous Coal Research, Inc., has recently been formed as a research agency for the entire industry, with a spending program of $500,000 a year for five years. The anthracite industry is giving considerable attention to development of new stokers with more efficient coal feed and automatic ash-removal. Eventually, should our oil fields give out, the hydrogenation of coal to produce fuel gas (with chemical by-products) would be seriously considered, though for the present the process is too expensive to compete with oil and gas.

Following are some comments on the records and outlook for leading individual coal companies: Stocks of important anthracite companies are, in order of size, Glen Alden, Lehigh Coal & Navigation and Lehigh Valley Coal Corp. (Philadelphia & Reading Coal & Iron Co. is currently being reorganized, with the common stock wiped out.) Bituminous producers, arranged in approximate order of coal sales, are Eastern Gas & Fuel, Pittsburgh Coal, Consolidation Coal, Island Creek, Truax Traer, Pond Creek Pocohontas, West Virginia Coal & Coke, United Electric Coal and Westmoreland Coal.

Glen Alden is the biggest domestic anthracite company; capacity is about 15 million tons a year but only about 9,472,000 was produced in 1942. Reserves in Luzerne, Carbon and Schuylkill Counties, Pennsylvania, are considered sufficient to last forty years. The company controls a number of coal-distributing agencies in the Middle Atlantic and New England states.

Because the company operates principally in the heating field, has low operating costs and has developed stable sales through extensive advertising, it has always been able to report profits on its common stock despite the fact that there is a substantial amount of first mortgage bonds outstanding. Share earnings have, however, shown considerable fluctuation, dropping to 18c in 1939, but recovering to $2.81 in 1942 due to nearly 50% increase in sales. Dividends have been paid for the past



eleven years to the extent of about three-quarters of the available net, and the stock returns a good yield. In 1929, when the stock had investment standing, it sold as high as 159¾.

Lehigh Coal & Navigation has paid dividends for sixty-three years though earnings were slightly in the red in 1937-8. Despite this record the stock has more leverage than Glen Alden, and the financial position is less satisfactory. Glen Alden's ratio of cash to current liabilities in 1942 was 2.5 to 1 compared with 1.33 to 1 for Lehigh; and the funded debt of both companies is about the same though Lehigh's assets are only about 56% of Glen Alden's. The company is the oldest producer in the Pennsylvania anthracite district, and reserves are still sufficient for seventy years or more. An important source of steady income, which seems largely responsible for the dividend record, is the wholly owned Lehigh & Susquehanna Railroad, which is leased to the Central Railroad of New Jersey for $2,268,000 (continued although Central is in bankruptcy). Lehigh & New England Railroad, which connects the anthracite area with the New England market, has also been a steady earner. Other investments include 700,000 shares of National Power & Light, currently worth a little under $5,000,000. Dividends are no longer received on this and it appears likely that the investment will be liquidated sooner or later, improving the financial position moderately.

Lehigh Valley Coal is a somewhat larger producer than Lehigh Coal & Navigation, but does not hold any outside investments. While the mines are well mechanized and enjoy cheap power, the company serves a highly competitive area and is over-capitalized. Some progress has been made in improving the financial setup, but no dividends have been paid on the preferred since 1931, and nothing has ever been paid on the common. This explains the low price earnings ratio.

Eastern Gas & Fuel, controlled by the Koppers Company, in the Mellon group of enterprises, has a variety of activities in addition to coal mining. The company is over-capitalized, with substantial debt and two classes of preferred stock. Arrears on the prior preference stock were eliminated in early 1941, and preferred payments were resumed later in that year, but preferred arrears still amount to $29 a share. Cash position has improved but is still rather low in relation to current liabilities. The common stock will doubtless remain in the low priced leverage class, as nothing is being earned for it despite war-time gains.

Pittsburgh Coal, biggest soft coal producer, has relatively high production costs. Preferred dividend payments were resumed last year after a lapse of seventeen years. Obviously a recapitalization will be in order to take care of the $106 arrears and it is difficult to envisage favorable postwar possibilities for the common stock. However, earnings for 1944 are expected to show improvement over last year due to better profit margins.

An Over-Capitalized Issue

Consolidation Coal Co. is a close second to Pittsburgh in sales (about $44,000,000 annually) and has the biggest reserves in the world—some 1,800,000,000 tons. Much of the company's output goes into industrial use. The company is somewhat over-capitalized but accrued bond interest has been cleared up and dividends are being paid on the new preferred. Nothing has been paid on the common, and while current earnings appear good, the company is using cash for mechanization purposes. It benefited formerly from the minimum coal prices provided for by the Guffey Coal Act (now expired).

Island Creek Coal is conservatively capitalized and has had a very sound record, paying dividends for thirty-two years on the common stock. While payments have been liberal in relation to earnings, the company maintains a fairly good cash position (cash was depleted by purchase of new properties in 1938-41). Coal reserves are estimated to be good for fifty years. The company's ability to improve its sales faster than those of its competitors, together with the high quality of its product, account for its strong record.

Truax-Traer Coal, while not too heavily capitalized, has had a somewhat erratic record of earnings and dividends. The company's operating costs are low, as the Illinois and North Dakota mines are operated by the open-pit method. With continued sound management, the company may be able to further improve its competitive position in the postwar period.

Pond Creek Pocahontas, with a negligible debt and no preferred stock, has a fair record. Substantial dividends have been paid (except in 1938) over the last nine years, and cash position is good. The company is one of the smaller units, but its product, Pocahontas Smokeless, is sold principally for household use, giving the business better-than-average stability.

West Virginia Coal & Coke has had a poor record, although capitalization consists only of 400,000 shares of common. Most of the company's product is used for industrial purposes, which may account for the poor earnings record. Dividends have been paid since 1941.

United Electric Coal paid $3 in 1929, but nothing in the past decade. While the company's operations are in the low-cost open-pit mines in Illinois, capitalization is high in relation to sales, and earnings have been irregular. Cash position is still poor, due to the improvement program of several years ago and the present debt retirement program.

Westmoreland, while a small unit, appears to have an interesting record. The sole capital is 129,000 shares of stock. Share earnings have improved sharply during the war period, with $7.50 reported in 1942 of which $5.17 was non-recurring income from sale of coal cars. The company maintains a very sound cash position. Dividends have been paid fairly consistently.

Statistics on Coal Stocks

ANTHRACITE COMPANIES	Price	Earned per Share 1943	Earned per Share 1942	Price-Earn. Ratio	Div. Paid 1943	Yield
*Glen Alden	15¼	$2.80E	$2.81	5.5	$1.60	10.5%
Lehigh Coal & Navigation	10	1.25E	.93	8.0	.90	9.0
Lehigh Valley Coal	1⅝	.38	.37	4.3	—	—
BITUMINOUS COMPANIES						
*Eastern Gas & Fuel	2¼	D.12	D.09	—	—	—
Pittsburgh Coal	6	D.83	.73	—	—	—
Consolidation Coal	17	3.00E	3.05	5.7	—	—
Island Creek	31	3.66	3.24	8.5	2.00	6.5
Truax Traer	9¾	2.00E	2.10	4.9	.80	8.2
Pond Creek	21¾	3.20	3.10	6.8	2.00	9.2
*West Va. Coal & Coke	7	1.72	1.25	4.1	.50	7.2
United Electric	8¾	1.42	1.40	6.2	Nil	—
*Westmoreland Coal	26½	5.00E	2.52#	5.3	4.00	15.1

*N. Y. Curb. E—Estimated. D—Deficit.

#—Not including $4.98 non-recurring income.

For Profit and Income

Market Leadership

As of this writing, more stocks have advanced than have declined in 22 out of the last 27 trading sessions. That is one way of measuring the persistence of the present selective advance. It looks more impressive when put this way than when measured in terms of the averages. It not infrequently happens that the Dow industrial average can recede on a day when more individual stocks advance than decline. How much significance can be attached to the long succession of days with a preponderance of upside issues is another matter. The market "looks good" but seems to a "churning" affair with rather heavy volume and laborious advance in the averages from week to week. It was two weeks ago that the Dow industrial average managed to come through with an upside "break-out" through the 139 level. As we write it is only 140, and over the fortnight its best closing figure was 141. However, this average is really behind the market. Our index of 283 stocks and index of 100 low-priced stocks are considerably stronger than "the Dow." (The same thing was true during the big advance in the first half of 1943, except that the Dow average, while then sluggish as compared with our more inclusive indexes, was not nearly as slow as it has been so far this year.) However, its seems paradoxical for technicans to fret about the absence of leadership by high grade industrials (mostly also high-priced) when the same technicans do not regard such issues as attractive on a price or yield basis. Yet, despite the persistance of the bullish symtoms, traders thus far find it a market in which it is hard to make worthwhile profits. Most people seem to be feeling their way, mindful of crucial uncertainties. Brokers report their "public" customers doing just about as much selliing as buying.

Sustained Production

Since military requirements, and shifts of emphasis therein, are a cosely guarded secret, one has no basis these days for forecasting the production outlook any time ahead in any of the war industries. Only a few weeks ago it was reported in the trade that the steel supply situation was easing. Yet for the current week steel operations are scheduled at 99.2 per cent of ingot capacity, the second highest week on record. Similarly, a few weeks ago copper supply was reported "easier" and now it is reported "tighter".

Sound-Quality Stocks Currently Indicating Above-Average Strength

Am. Mach. & Fy.	Firestone
Anch.Hock. Glass	Goodrich
Archer-Dan-M.	Mack Trucks
Best & Co.	MsGraw Elec.
Best Foods	Ohio Oil
Bond Stores	Pure Oil
Borden	Raybestos
Colum. Brcast.	Schenley
Crown Cork	Starrett, L. S.
Deere	South. Pacif.
Doehler	G. C. Murphy
Ferro-Enam.	Western Union

Growth Enviroment

Southern Pacific operates extensively within the region of the Twelfth Federal Reserve District. Taken from the annual report of Transamerica Corporation, here are some remarks on economic conditions in this area: "Government funds flowing into the Twelfth Federal Reserve District in 1943 exceeded by $4,400,000,000 the amount contributed in the District through taxes, sales of war bonds and from other sources. This excess was $1,600,000,000 greater than in 1942 and over $4,000,000,000 more than in 1939. Total demand deposits of weekly reporting banks in the District increased 33 per cent in 1943, a larger gain than was recorded in any other district. War supply contracts placed in California, Oregon and Washington in the 12 months ended November, 1943 amounted to approximately $7,000,000,000. In California employment in industrial establishments averaged 878,000 wage earners in 1943, 31 per cent more than in 19942 and 98 per cent higher than 1941. Cash farm income was estimated at $1,500,000,000, an all-time high. Civilian population of California, Oregon and Washington in November, 1943, was 1,226,345 higher than total population in April, 1940." There will, of course, be an economic shake-down in this area after the war. Meanwhile, Sopac is doing handsomely by itself—and no doubt at least some of the improvement in the region will stick.

Caution

Under signature of E. J. Engel, president, the pamphlet report of Atchison remarks, among other things, that this railroad retired $33,647,000 in debt last year, had in its treasury on Dec. 31 $35,948,000 in cash, $16,719,000 par value of Government bonds and $126,773,000 in tax anticipation notes; and that stockholders now own a $1,125,000,000 property subject only to record low funded debt of $271,317,000 and record low annual interest charge of about $10,000,,000. Right after this gratifying summary,, the cautious Mr. Engel adds: "Perhaps never in the history of railroad have there been so many uncertainties in respect to current operations, let alone the future." An exclamation point should really end that sentence! But actions speak louder than words. Despite the "uncertainties", Atchison is paying a nice $6 dividend, yielding an nice return of about 8.8 per cent at current market price, and that dividend looks secure as far ahead as the writer of this column can see or guess.

Companies Reporting Increased Earnings (Year to Dec. 31)

	1943	1942
Shell Union Oil	$1.82	$1.29
National Lead	1.02	0.72
Columbia Broad.	2.64	2.40
Bond Stores	4.43	3.40
Fansteel Met.	2.74	1.87
Parke, Davis	1.68	1.29
Republic Avia.	3.08	1.02
Yale & Towne	3.00	2.56
Allis-Chalmers	4.51	3.34
Decca Records	2.66	2.08
Doehler Die	4.55	2.71
Lambert	2.65	2.01
Cleve. Graphite	5.14	3.94
Mack Trucks	5.14	2.63
Am. Bosch	1.94	1.63
Magma Copper	1.77	1.46
Scullin Steel	2.20	1.72
Ferro-Enamel	1.97	0.78
Eng. Pub. Serv.	1.75	0.94
Interchem.	2.75	2.47

Melville Shoe

At present tax rates, the Government really occupies a partnership status in company earnings and the senior partnership at that. As a result, its share in earnings fluctuates more than the share of stockholders in many cases. For instance, due to shoe rationing, sales last year of Melville Shoe dropped to $51,546,000 from $64,028,000 in 1942, taking pre-tax earnings down from $7,728,000 to $4,674,000. But while the Government's share (taxes) decreased by $2,673,000 the stockholders' share (net income) declined by only $130,000. Net per share was $2.15 against $2.29. This "tax cushion" stuff has its points! On a straight 40% tax, without EPT., net would have been about $4,674,000 in 1942, about $2,805,000 in 1943 — drop of $1,832,000 against actual difference of $130,000 as reported.

Big Sale

Secondary offering of 704,121 shares of Chesapeake & Ohio, from the holdings of Alleghany Corporation, was sold to investors for total price of $32,917,000 in an impressively short period of time. It is surprising how readily investors respond to positive salesmanship on these special offering of listed stocks. The fact that they don't have to pay a commission has a lot to do with it. Of course, C. & O., with its excellent record and good yield, is a superior product, and superior products are not hard to sell—especially at a good price—in these days of plentiful funds.

Rubber Stocks

The rubber stocks have had a huge percentage advance from the extremely low levels of the spring of 1942. On the rise to July of 1943 our rubber group index went up approximately 250 per cent., against 116 per cent for our inclusive market index. On a technical basis—as well as because of the rather poor back earnings record of tire companies, many analysts have been reluctant to continue favoring these stocks for longer-term holding. However, on the intermediate reaction from July to last November, this group index did better than the market, declining a little over 14 per cent from the high, against nearly 19 per cent for our broad index. Moreover, on the current market improvement, the rubbers again are "ahead of the market". For the latest week, they closed nearly 8 per cent above their 1943 high, with the broad index still slightly below best 1943 level. Investors should realize there is a completely new situation in rubber. The civilian world is starved for this commodity. How long it will be after the war before the Far East plantation can come back into production is highly uncertain. For at least several years after the war, demand will probably require all the synthetic and all the natural rubber that can be had. We certainly never will junk our big new synthetic rubber industry. For the first time in history the outlook is for a stable and satisfactory price situation in the material which the rubber manufacturers process. This, plus a favorable volume prospect, gives these stocks an investment status they never had before. Despite the big market advance already seen, all the leaders are still moderately priced on current earnings and potential post-war earnings. Among the Big Four, differences in investment quality are probably smaller than in any other industrial group, as indicated by fact that all now sell within the price range 43-48. The most striking change in the market relations of these four stocks is that we now see Goodrich priced highest, though only fractionally above U. S. Rubber. The market consensus at any rate currently favors both of these over Goodyear and Firestone.

Excess Profits Taxes

It is generally agreed that the first post-war revision of corporate taxes will involve elimination of the excess profits tax. When it will come is, of course, anybody's guess. Logically — and politically — it can not come until both Germany and Japan are defeated. That's make it pretty indefinite, as well as distant. Nevertheless, long-pull investors, quite properly, are today taking this matter into their reckoning in selecting common stocks As between two stocks liked equally well on post-war prospects, the choice would go to the one whose tax position is such that it would get greater relative benefit from ultimate elimination of the excess profits tax. Here are examples of what a few companies would have earned per share in 1943 on a straight 40 per cent tax with no EPT: Canada Dry, $3.98 against $2.38 actually reported; Bristol-Myers, $6.87 against $4.02; Chesapeake & Ohio, $6.24 against $4.04; Endicott-Johnson, $10.07 against $4.80; Loew's, $12.54 against $8.01; Masonite, $5.46 against $2.04; Sutherland Paper, $5.30 against $2.85; Swift, $4.39 against $2.94. Of course pre-tax earnings would have to equal 1943—which would require very large post-war volume—to get these results without EPT. Still it is something to look forward to, for, whatever the post-war volume, the eventual relief from EPT will make a major difference in earning power of a great many stocks.

Companies Reporting Lower Earnings (Year to Dec. 31)

	1943	1942
Am. Viscose	$2.98	$3.20
Cons. Edison	1.70	1.79
Int. Harvester (a)	4.70	4.95
Vulcan Det.	11.08	13.52
Am. Light & Trac.	1.35	1.78
Am. Snuff	2.19	2.29
Continen. Oil	3.00	3.19
Int. Nickel	2.00	2.15
Montg. Ward (b)	3.69	4.79
Am. Smelting	3.76	3.99
Climax Molyb.	3.82	5.31
United Fruit	3.70	4.08
Am. Seating	1.52	2.17
Melville Shoe	2.15	2.29
Am. Hardware	1.91	2.48
Bell Airc.	7.77	8.17
Cons. Coal	3.33	3.66
Glen Alden	1.90	2.81

(a) Year to Oct. 30. (b) Year to Jan. 31.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities.***
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.**

Special rates upon request for those requiring additional service.

Internal Canadian Bonds at a Discount

Sometime ago you had an article regarding internal Canadian Bonds, I believe, stating that they were at a discount under similar U. S. Dollar Bonds, while the actual Canadian Dollar, though pegged at a discount, was really worth more in the U. S. than the American Dollar. This would make a pretty good conservative speculation and I would appreciate your advising the present situation.—F. R. W., New Orleans, La.

Your inference that internal Canadian bonds are an attractive speculation based on our article is correct. That would be true of various government, municipal and corporate issues. The greatest differential would occur if all coupon and principal payments were left on deposit in Canada until the currencies return to a parity. For example, the yield to redemption date on the internal 3¼s due 1966, callable 1956, would be 2.97% assuming the coupons and principal were cashed at a 10% discount while if the money were left in Canada until 1956 and exchanges were then at par, the yield in this latter method would be 4.02%. External 3¼s due 1961, callable 1956, on the other hand yield only 2.82%.

Province of Ontario 4½s and 6% bonds of 1950, yield higher. Based on the assumption the funds will be left in Canada till exchanges reach parity, they will yield 4.92% as compared with a yield of 3% if interest and principal are cashed on the basis of 10% exchange discount, while the external issue yields only 2.70%. If one can afford to permit interest funds and principal to remain in Canada, it would seem that one can profit beyond any foreseeable degree of risk since the yield on the internals computed on this basis far exceeds both that from the dollar bonds or from conversion of exchange at the present 10% rate.

Chickasha Cotton Oil and G. R. Kinney

I am asking your opinion of Chickasha Cotton Oil and G. R. Kinney, common. —W. Z., Jr., Pittsburgh, Pa.

Chickasha Cotton Oil, as the name implies, is engaged in the manufacture and sale of cottonseed oil, cotton linters, baled cotton, cotton seed meal and allied products. Gins are located in Oklahoma and Texas. Current assets at the end of 1942 were about 7 times current liabilities and at June 30, 1943 were about 5.75 times current liabilities while earnings for 12 months ending June 20, 1943 were reported at $2.10 per share against $2.04 for the previous 12 months. These shares paid generous dividends from inception in 1919 up to 1928 when 15 shares of $10 par value were issued for each share of $100 par value. At that time 100,000 shares were offered to the public at $47.50 per share and in 1929 the shares sold at $50 per share. No dividends were paid in 1931, 1932 and 1937, while since 1933 dividends have averaged about $1.00 per share annually with the highest amount paid being $2.00 per share in 1934 and 1935. Sales in 1942 and 1943 were almost double those for 1941 and much higher than most previous years but cost of sales also doubled so that the net income after taxes increased to a very slight degree.

G. R. Kinney is engaged in the manufacture and sale of leather, shoes and footwear, operating 339 stores throughout the United States. Production and sales were reasonably steady but at rather low levels prior to 1941 when production increased about 65% while sales increased about 25%. Further expansion occurred in 1942 while a decline occurred in 1943 but output and sales are not broken up so that they can be compared with prior years. However, since 96 cents was earned in 1942, the same as 1940 and 1941, and 79 cents in 1943, it would appear that improvement may be laid to the war since the company operated at a loss from 1936 to 1940. Current assets are about 2.75 times current liabilities, or about the same as 1942. The greater increased production as compared with sales does not necessarily infer an increase in inventory since the company apparently buys from other manufacturers as well as engaging in production on its own.

While both of these corporations leave much to be desired in the way of investment qualities, retention of the Chickasha Cotton Oil is suggested as the dividend return is 6.67% and peacetime prospects are fair whereas the peacetime prospects of G. R. Kinney Common, if based

on past activities, are definitely unattractive.

Switch Magma to Parker-Rust-Proof?

I am writing for some information on Parker Rust Proof Co. Why is the stock so low in price? Is it a chemical company? Has it any post war prospects? Am considering if it would be a good switch for Magma Copper for which I paid 34 for 20 shares.—W. W., Covington, Ky.

Parker Rust Proof Company owns numerous patents covering processes for the manufacture of rust-proofing chemicals which are sold, together with equipment for their application to licensed users. The automobile industry is ordinarily the principal customer and, in normal times, General Motors, Ford and Chrysler are the principal accounts. The refrigerator industry in peace time is also a large user, as well as office equipment, household products, hardware and others. For some time, non-automotive demand for the process has been increasing due to the shortage of competing metals used for plating of steel and iron. In the post-war period, this company should do well in view of the broad application of the Parker process in the automotive field.

This company's common stock is rated above average. It earned $1.81 in 1943 as compared with $1.74 in 1942. In the pre-war years from 1936 to 1939, inclusive, the lowest earned was $1.33 per share and the highest was $2.75 per share. The company has paid dividends continuously for 20 years and in 1943 paid $1.50 per share. This stock has had a narrow price range, selling as low as 16 in 1943 and the high being 19¼. At current market price around 19, based on the dividends paid in 1943, the indicated income yield is about 7.8 per cent. The company has no funded debt, 1,645 shares of 7% cumulative preferred stock of $10 par value and 429,498 shares of common stock. The financial resources appear ample.

Magma Copper Company is one of the smaller domestic producers of copper but has had a stable operating record as compared with other United States mines. The company operates its own smelter, but ships copper for refining to Phelps Dodge Corporation. Power and rail facilities are also owned. Operating costs have increased in recent years because of higher labor and supply costs, decreasing precious metal yield, and the greater depth of mine operations. After deducting gold, silver and zinc values, copper production costs in 1942 averaged 9.7 cents a pound, against 7.9 cents in 1941 and 7.8 cents in 1940.

The company has paid dividends on its common stock continuously for 19 years. It earned $1.46 in 1942 as compared with $3.66 in 1941. The estimated earnings for 1943 are $1.60 per share. In the pre-war years of 1936 to 1939, inclusive, the lowest this company earned was $1.60 per share and the highest was $3.57 per share. It paid $1.25 in 1943 and based on the current market price of 16, the yield is about 8 per cent. The company has no funded debt, its capitalization consisting solely of 408,000 shares of common stock of $10 par value. Financial position is strong, net current assets at the 1942 year-end amounting to over $14 a share. Cash assets were several times current liabilities. Because of increased operating costs, the capital stock has only average appeal. However, while copper stocks have been laggard in the market the past year, in view of the company's strong financial position and the good income return, we would wait for a more favorable opportunity to liquidate same, especially since Parker Rust Proof has had quite a substantial rally.

Great Northern Iron Ore

As to the Great Northern Iron Ore, would you recommend additional purchase at the present price around 15¾? There has been some question in my mind, inasmuch as large users such as Republic Steel, Bethlehem, and others who have had contract arrangements for ore from this range have expended considerable money during the past six months in developing iron ore deposits, which should be in operation within the next six months and it would seem possible that this might have a detrimental effect on subject company's stock, unless the leases with the Great Northern Iron Ore are for a long period of time which could not be cancelled, as I understand these leases call for a minimum royalty regardless as to the amount of ore used.—C. C. F., North Lawrence, Ohio.

You raise a question in your letter on Great Northern Iron Ore that might possibly be answered more correctly by an official familiar with the future problems of heavy steel. It is generally conceded that mining of iron ore is a declining industry, as for some time prior to the present war, use of scrap was causing a reduction in the use of iron ore. Sale of scrap for war use is thought to have reduced the amount of scrap available with the result that the mining of iron ore has increased.

In the case of Great Northern Iron Ore, a part of the annual distribution is accepted as a return of capital for tax purposes and therefore, the dividend return is not as attractive as appears at first glance. The last published income account of Great Northern shows only 72 cents earned from operations but the consolidated income account shows a margin of safety above payments with subsidiary dividends credited to gross income. It would seem reasonable to assume that the value of the deposits are such that the investment and a reasonable income will accrue to holders of Great Northern Iron Ore certificates of beneficial interest but that the time element could not be predicted with any degree of accuracy unless one can gauge the amount of ore that the steel companies will annually utilize. Your present holdings should be retained but should not be increased unless you could obtain information that would justify an additional purchase. We might add, of course, that such information is not likely to be available in ordinary channels.

Philadelphia Electric

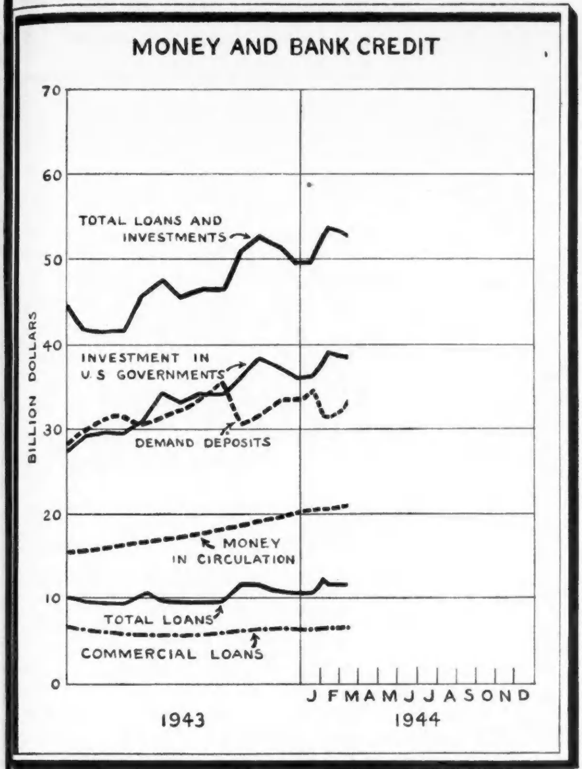
I would appreciate your rating of Philadelphia Electric common stock as an investment to be held for income and safety of principal.—W. A. P., Philadelphia, Pa.

Philadelphia Electric Company is a public utility operating and holding company, controlling eleven active subsidiaries, seven of which are engaged in the production and distribution of electricity. The company's principal business consists of providing electric service in and about Philadelphia and the manufacture of gas service in suburban areas. It is a well established concern with a long record of growth and total revenues in 1942 amounted to over $85,000,000.

The company's earnings in recent years have been adversely affected by reduction in rates, changes in depreciation practices and increased taxes. From 1937 to 1942, inclusive, the highest it earned on its common stock was $2.19 per share and the lowest was $1.47 a share. The latter figure was for the year 1942 and for the twelve months ending September 30, 1943, per share earnings amounted to $1.38 as compared with $1.54 per share for the same period in 1942.

The common stock was reclassified in 1943 pursuant to a plan for the liquidation of United Gas Improvement Company, the parent concern. The company's capitalization now consists of $182,000,000 long term debt, $40,000,000 preferred including subsidiary stocks and $157,000,000 in common stock and surplus, the latter represented by 2,369,019 shares of preference stock

(*Please turn to page 695*)



CONCLUSIONS

MONEY AND CREDIT—There will be only relatively small changes in Federal taxes on 1944 incomes, corporate and individual, arising from simplification of tax returns. Contract renegotiation to end this year.

TRADE—February chain store sales 4% below last year; but department store sales up 1% in week ended Mar. 4, against cumulative dip of 2% for year to date.

INDUSTRY — Business activity has passed its peak for some years to come. Employment drops more than seasonally as unemployment appears in scattered areas.

COMMODITIES — Farm products prices reach new war-time high, helped by persistent rise in parity price for cotton. Food outlook good as last year.

The Business Analyst

The recession in **business activity** since our st issue, though fractional, probably indicates at the peak has been passed for some years come. **Chain store sales** in February were % below last year; but **department store les** in the week ended Mar. 4 gained 1%, mpared with a cumulative dip of 2% for the ar to date.

* * *

Manpower shortage arising from requirents of the Armed Forces will continue to ilitate against extensive resumption of civilian roduction until the Nazi menace has been reoved. Worst squeeze will be in the second uarter while Army and Navy personnel is beg brought up to scheduled strength. After ly 1 inductions will be mainly for replaceents—not exceeding 100,000 a month, unless asualties should be abnormally heavy.

* * *

Meanwhile contract cancellations will create **nemployment** in scattered localities. For is there seems to be no immediate remedy. ecently, for example, it was found necessary assign increased production of farm machiny to tight labor areas; because regions with rplus manpower lacked the plant facilities to ake agricultural implements.

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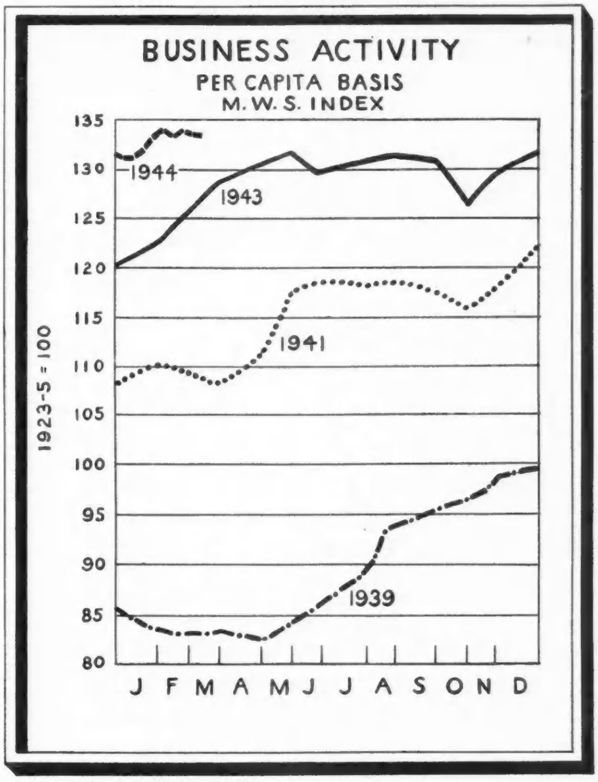


Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	Mar. 15	1.78	1.97	1.76	0.43
Cumulative from Mid-1940	Mar. 15	172.5	170.7	84.1	14.3
FEDERAL GROSS DEBT—$b	Mar. 15	185.0	183.2	116.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Mar. 15	33.4	32.8	32.4	24.3
Currency in Circulation	Mar. 15	21.0	21.0	16.1	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Mar. 15	5.66	5.61	4.54	3.92
100 Other Cities—$b	Mar. 15	7.63	7.67	6.36	5.57
INCOME PAYMENTS—$b (cd)	Jan.	12.54	13.47	10.82	8.11
Salaries & Wages (cd)	Jan.	8.92	9.04	7.73	5.56
Interest & Dividends (cd)	Jan.	0.80	1.56	0.78	0.55
Farm Marketing Income (ag)	Dec.	1.70	2.01	1.50	1.21
Includ'g Govt. Payments (ag)	Dec.	1.75	2.04	1.57	1.28
CIVILIAN EMPLOYMENT (cb) m	Feb.	50.2	50.4	51.3	51.0
Agricultural Employment (ag)	Feb.	8.7	8.6	8.4	9.0
Employees, Manufacturing (lb)	Jan.	15.8	16.1	15.7	13.6
Employees, Government (lb)	Jan.	5.8	6.0	5.7	4.5
UNEMPLOYMENT (cb) m	Jan.	1.1	0.9	1.6	3.9
FACTORY EMPLOYMENT (lb4)	Jan.	166	169	165	141
Durable Goods	Jan.	229	233	218	168
Non-Durable Goods	Jan.	117	119	123	120
FACTORY PAYROLLS (lb4)	Jan.	327	328	291	189
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Dec.	44.9	45.5	44.4	40.3
Hourly Wage (cents)	Dec.	99.5	99.6	90.7	78.1
Weekly wage ($)	Dec.	44.68	45.32	40.27	32.79
PRICES—Wholesale (lb2)	Mar. 11	103.4	103.4	103.2	92.2
Retail (cdlb)	Jan.	135.3	135.6	130.0	116.1
COST OF LIVING (lb3)	Feb.	123.7	124.2	121.0	110.2
Food	Feb.	134.5	136.1	133.6	113.1
Clothing	Feb.	134.6	134.5	126.2	113.8
Rent	Feb.	108.1	108.1	108.0	107.8
RETAIL TRADE					
Retail Store Sales (cd) $b	Jan.	4.95	6.72	4.45	4.72
Durable Goods	Jan.	0.63	0.90	0.58	1.14
Non-Durable Goods	Jan.	4.32	5.82	3.87	3.58
Chain Store Sales (ca)	Feb.	186	188	194	151
Dept. Store Sales (rb) (1)	Feb.	151	152	167	116
Dept. Store Stocks (rb2)	Jan.	104	98	102	95
MANUFACTURERS'					
New Orders (cd2)—Total	Jan.	269	274	247	212
Durable Goods	Jan.	393	402	364	265
Non-Durable Goods	Jan.	190	192	172	178
Shipments (cd3)—Total	Jan.	260	276	226	183
Durable Goods	Jan.	364	380	298	220
Non-Durable Goods	Jan.	178	194	169	155
BUSINESS INVENTORIES—$b					
End of Month (cd)—Total	Dec.	26.8	28.1	28.0	26.7
Manufacturers'	Dec.	17.7	17.8	17.6	15.2
Wholesalers'	Dec.	4.0	4.1	4.0	4.6
Retailers'	Dec.	5.1	6.2	6.4	6.9

PRESENT POSITION AND OUTLOOK

(Continued from Page 683)

Under provisions of the recently enacted tax bill, **contract renegotiation** will end this year. Beginning June 1, Army purchase contracts will require all repeat and continuation orders to be placed at prices which can be exempted from renegotiation.

* * *

WPB Chairman Nelson favors continued Government control over industry during conversion; but is opposed to "any attempt to put the post-war economy in a totalitarian straight jacket". He thinks that pre-war producers should be given the first chance at resumption of civilian goods manufacture, but Senator Truman believes that concerns freed from war work should be permitted to start making whatever articles they choose as soon as materials and manpower are available.

* * *

Congressional leaders and the Treasury have agreed that **federal taxes** on 1944 incomes, corporate and individual, will be subject only to minor changes arising from tax simplification. The plan for tax simplification adopted tentatively by the House Ways and Means Committee contemplates annual increases in income taxes to be paid by single individuals ranging from $2 on incomes of $550 up to $12,000 on incomes of $1,000,000. Married persons without dependents, and with incomes of $2,000, would find their taxes boosted by $45, or 22½%; but couples with two dependents, having incomes ranging from $2,000 to $25,000, would pay a little less than under the present law.

* * *

Professor Sumner H. Slichter of Harvard University advocates a thorough post-war reform of our **tax system**, which is so "grotesque as to be amusing". "Income from giving jobs is taxed twice, whereas income from holding jobs or lending capital is taxed only once. . . . By various devices, severe penalties are placed upon anyone who presumes to make a living by bearing the brunt of economic risks."

* * *

The SEC estimates that **liquid savings** of individuals reached $37.7 billion last year, against $29.5 billion in 1942 and $10.6 billion in 1941; yet more was spent for goods and services. Answer is larger incomes. Ratio of savings to income after taxes has remained virtually constant at around 30% since mid-1942. Included in total liquid savings of $37.7 billion last year were $15.8 billion in currency and bank deposits, $13.8 billion in Government bonds and $6.3 billion in insurance; but holdings

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—1—pc	Mar. 11	133.7	133.8	126.6	118.2
(M. W. S.)—1—np	Mar. 11	162.5	162.6	153.4	139.5
INDUSTRIAL PRODUCTION (rb3)	Jan.	242	241	227	174
Durable Goods, Mfr.	Jan.	366	367	336	215
Non-Durable Goods, Mfr.	Jan.	174	173	171	141
CARLOADINGS—t—Total	Mar. 11	782	788	769	833
Manufacturers & Miscellaneous	Mar. 11	373	276	361	379
Mdse., L. C. L.	Mar. 11	104	105	97	156
Coal	Mar. 11	172	172	178	150
Grain	Mar. 11	46	48	49	43
ELEC. POWER Output (K.w.H.)m	Mar. 11	4,426	4,465	3,945	3,369
SOFT COAL, Prod. (st) m	Mar. 11	12.2	12.0	12.5	10.8
Cumulative from Jan. 1	Mar. 11	126.7	114.5	121.7	466
Stocks, End Mo.	Jan.	53.6	56.7	79.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 11	4.38	4.41	3.88	4.11
Gasoline Stocks	Mar. 11	86.6	86.1	94.3	87.84
Fuel Oil Stocks	Mar. 11	51.4	51.2	68.5	94.13
Heating Oil Stocks	Mar. 11	32.7	33.1	34.4	54.85
LUMBER, Prod. (bd. ft.) m	Mar. 11	580	575	554	632
Stocks, End Mo. (bd. ft.) b	Feb.	3.4	3.5	4.2	12.6
STEEL INGOT PROD. (st.) m	Feb.	7.19	7.60	6.83	6.96
Cumulative from Jan. 1	Feb.	14.78	7.60	12.25	75.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Mar. 16	29.4	44.6	55.6	93.5
Cumulative from Jan. 1	Mar. 16	388	358	765	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 11	153	178	167	165
No. Am. Newsprint Prod. (st)t	Feb.	315	324	300	411
Do., Stocks (mpt) End Mo. (st)t	Feb.	632	621	792	745
Wood Pulp Stks, End Mo. (st)t	Feb.	70.7	61.4	131.6	98.5
Anthracite Coal Production (st)m	Feb.	5.87	5.03	5.18	3.83
Portlan Cement Prod. (bbls.)m	Jan.	6.3	8.3	12.6	14.9

PRESENT POSITION AND OUTLOOK

of corporate securities were reduced by $0.3 billion.

* * *

Bethlehem Steel Corp. has bought at cost from the Defense Plant Corp. all integrated steel making facilities built at Government expense on the Company's properties; and the E. I. du Pont de Nemours Corp. has acquired from the Maritime Commission the San Jacinto Shipyard at Houston, Texas. These auspicious, though small, beginnings in disposing of the Government's **surplus defense plants** suggest that the problem can be solved; though Commerce Secretary Jones believes the Government will have to write off most of its $2.7 billion investment in **airplane and engine plants.**

* * *

Mr. Ickes' Petroleum Reserve Corp. appears to have become unduly alarmed over the possibility of a domestic **oil famine** at some not too distant date. While it is true that our proved reserve would last only 13 years at the present rate of consumption (1.5 billion barrels a year) it is fair to presume from past experience that new pools will continue to be opened up for some years to come. Then, long before an actual shortage develops, chemists will begin to extract oil from coal and shale, America's reserves of which, according to competent geologists, should suffice for 1,000 years.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb. Census Bureau. cd—Commerce Dep't. cd2—Commerce Dept., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. Index (1935-9—100) using Labor Bureau & other data. en—Engineering News-Record. I—Seasonally adjusted Index. 1923-5—100 lb.—Labor Bureau. lb2—Labor Bureau. 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100 m. Millions. mpt—At Mills, Publishers & in Transit. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, adjusted index, end of Mo., 1923-5—100. rb3—Federal Reserve Board adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

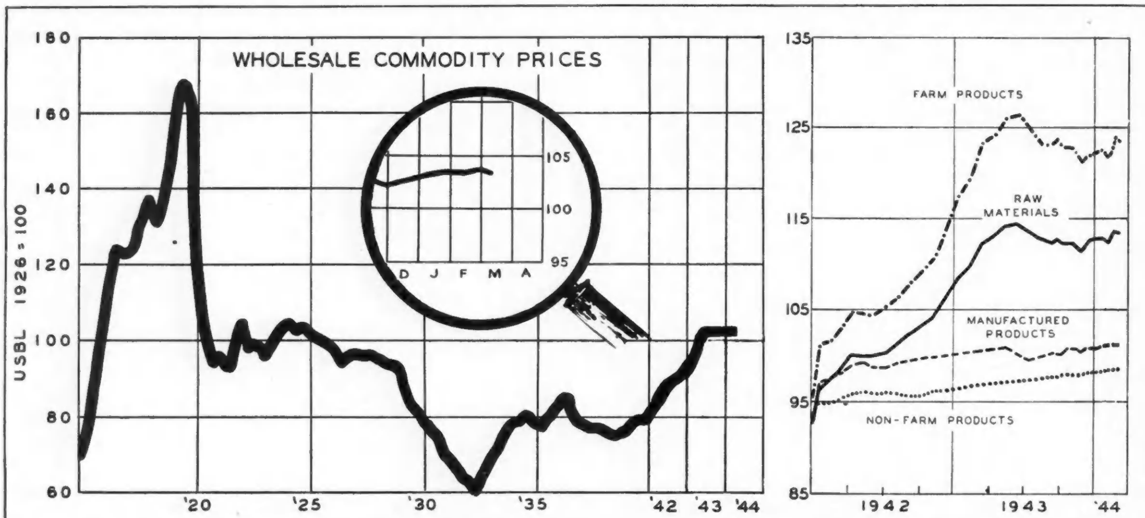
No. of Issues (1925 Close—100)	1944 Indexes High	Low	Mar. 18	Mar. 25
283 COMBINED AVERAGE	88.3	79.5	88.3A	87.4
4 Agricultural Implements	161.0	148.6	161.0G	158.2
9 Aircraft (1927 Cl.—100)	132.9	119.7	132.9A	132.0
5 Air Lines (1934 Cl.—100)	470.9	437.7	470.9A	457.2
5 Amusement	74.2	68.3	74.2A	72.8
12 Automobile Accessories	133.4	119.0	133.1	131.8
12 Automobiles	20.2	17.6	20.2A	19.6
3 Baking (1926 Cl.—100)	14.1	12.9	13.8	13.7
3 Business Machines	184.9	174.6	183.8	181.0
2 Bus Lines (1926 Cl.—100)	115.3	108.9	108.9a	114.3
5 Chemicals	185.4	177.2	183.8	182.4
4 Communication	62.8	57.1	62.7	62.8G
12 Construction	36.8	33.1	36.8	36.2
6 Containers	248.1	220.1	248.1D	245.5
8 Copper & Brass	69.1	63.1	69.1A	67.4
2 Dairy Products	41.1	38.6	41.1G	41.0
6 Department Stores	30.8	28.2	30.8A	30.8
5 Drugs & Toilet Articles	99.5	81.0	96.7	99.5G
2 Finance Companies	234.0	217.2	234.0D	230.9
7 Food Brands	133.8	123.1	133.8Q	131.5
2 Food Stores	50.6	46.6	50.6D	49.9
4 Furniture	62.1	56.4	61.9	61.4
3 Gold Mining	1010.4	905.4	925.5	905.4a

(Nov. 14, 1936, Cl.—100)	High	Low	Mar. 18	Mar. 25
100 HIGH PRICED STOCKS	66.93	62.77	66.93A	66.35
100 LOW PRICED STOCKS	87.70	75.33	87.70A	86.61
6 Investment Trusts	38.3	34.0	38.3A	36.5
3 Liquor (1927 Cl.—100)	348.6	292.3	341.3	348.6J
8 Machinery	114.6	105.2	113.1	114.6D
2 Mail Order	89.0	82.5	88.4	86.8
3 Meat Packing	64.9	55.5	64.0	62.8
11 Metals, non-Ferrous	127.3	119.8	127.3A	125.6
3 Paper	14.7	12.9	14.4	14.3
22 Petroleum	133.3	121.3	132.6	133.3A
19 Public Utilities	53.9	49.0	53.9A	52.5
4 Radio (1927 Cl.—100)	24.6	21.5	24.6A	23.9
7 Railroad Equipment	57.8	52.0	57.8E	56.5
18 Railroads	19.2	14.1	19.2E	19.2
2 Shipbuilding	83.7	70.3	82.4	81.3
3 Soft Drinks	327.5	306.2	323.3	326.8
13 Steel & Iron	73.3	65.7	73.3A	72.1
3 Sugar	46.6	41.7	44.5	44.0
2 Sulphur	171.7	162.3	167.2	167.8
3 Textiles	56.9	48.0	56.9D	55.3
3 Tires & Rubber	29.9	25.4	29.9P	29.7
4 Tobacco	65.1	60.2	65.1A	64.7
2 Variety Stores	232.9	219.7	232.9A	231.6
21 Unclassified (1943 Cl.—100)	107.6	100.0	107.2	107.6A

a—New LOW this year. New HIGH since: A—1943; D—1940; E—1939; G—1937; J—1935; P—1930; Q—1929.

Trend of Commodities

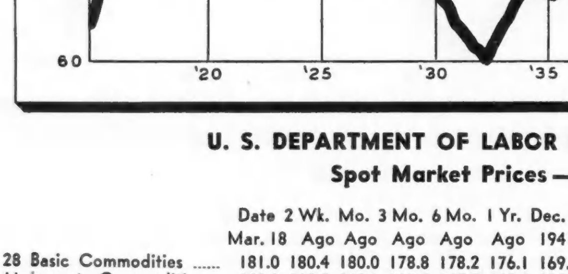
Under leadership of cotton, which reached a new 5-year high, the Labor Bureau's index of spot commodity prices rose an additional 1% during the past fortnight to a new war-time high. Strength in cotton followed announcement of a parity price which is the highest since 1925 and up $3 a bale since Aug. 1, last. It will be recalled that the Stabilization Act pledges the Government to support farm products prices at 90% of parity until two years after the end of the war; so that any rise in parity price involves a corresponding increase in the CCC loan value. Farmers plan to plant about 374 million acres to the principal crops this year, against 361 million last year—most of the increase to be in grains, tobacco and a few vegetables. The food outlook is thus as good as last year. Agriculture Department believes it possible to work out a nutritive diet to feed 25 million foreigners for six months by using only 5.7% of the U. S. wheat crop, 0.9% of our oats and 0.7% of a year's barley harvest, at an average daily cost of 13 cents per person. If our arithmetic is correct, this figures out at something less than $600 million. Again faced with a shortage, Government agencies are seeking corn in the open market for a 75 million bushel stockpile to be set aside for emergency use by processors. A ceiling has at last been set on rough rice.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

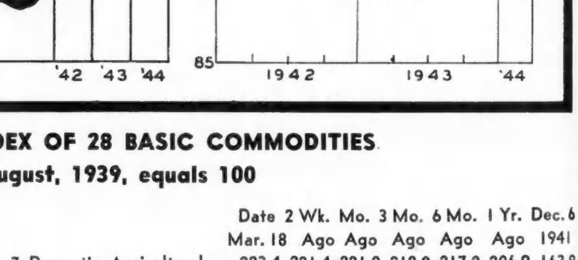
Spot Market Prices — August, 1939, equals 100

	Date Mar. 18	2 Wk. Ago	Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	181.0	180.4	180.0	178.8	178.2	176.1	169.9
11 Import Commodities	168.3	168.0	168.0	167.9	167.7	167.0	157.5
17 Domestic Commodities	189.8	189.0	188.3	186.3	185.4	182.3	156.6
7 Domestic Agricultural	223.4	221.4	221.0	218.0	217.2	206.9	163.9
12 Foodstuffs	207.6	207.0	206.8	206.2	204.5	201.1	169.2
16 Raw Industrials	163.2	162.6	162.1	160.6	160.6	159.3	148.2



Average 1924-26 equal 100

	1944	1943	1942	1941	1939	1938	1937
High	97.25	96.55	88.88	84.60	64.67	54.95	82.44
Low	95.91	88.45	83.61	55.45	46.50	45.03	52.03



15 Commodities, December 31, 1931, equal 100

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	1944	1943	1942	1941	1939	1938	1937
High	251.5	249.8	239.0	219.0	172.3	152.9	228.1
Low	247.0	240.3	220.0	171.6	138.4	130.1	144.6

hat Latest Balance Sheets Disclose for 10 Important Companies

(*Continued from page 657*)

ayroll and accrued taxes alone foot p to about $27 million—and there re $50 million of notes payable. Thus, much of the company's warime gain in assets is, so to speak, on paper." The chances are that he unwinding of its war business—he settlement of terminated conacts, liquidation of war inventories, ayment of short term bank credits, c.—will leave it with larger workg capital than before the war, alough less than now; and with a urrent ratio much higher than now but this is necessarily to some exnt conjectural. In any event the eferred stock financing will dilute rnings on the equity proportionely.

The Kennecott Copper balance eet is a most interesting example f truly radical improvement in nancial strength and liquidity durg recent years. Net property acunt of $210,175,000 was only nomally changed from 1939 and about ,000,000 less than it was ten years o. But net working capital was 74,639,000, against $98,379,000 in 39 and $49,465,000 at end of 1933. oldings of cash and Government nds were $174,879,000, against 4,387,000 in 1939 and $21,294,000 1933. The ratio of working capital property account was 83 per cent, ainst 47 per cent in 1939 and 22 r cent in 1933; while ratio of cash equivalent to properties owned s 83 per cent, against 30 per cent 1939 and less than 10 per cent in 33.

Balance sheet of Western Auto pply reflects a situation somewhat milar to Montgomery Ward only ore so. Normal business of this ore chain and wholesaler was autoobile accessories, tires, radios, orts equipment and a variety of her "hard goods." Essential reacement business plus shift to subtutes and some "soft" lines enled sales to be maintained fairly ll but not in proportion, of course, the great increase in total retail mand of the country. While dollar lue of inventory at year-end was ly slightly less than in 1939, allowg for the price rise it may be venred that physical volume was fully per cent lower than in the prer year. At $17,514,000, cash and arketable securities totalled $12.-,000 more than in 1939. Unlike nnecott Copper, this is a temporary excess of financial liqudity.

Studebaker is up to its neck in war work. As a result there has been a large expansion in both current assets and current liabilities. Between end of 1939 and close of 1943, the former increased nearly four-fold to $80,567,000, a gain of about $59,-823,000. But current liabilities at the same time increased over sevenfold to $57,921,000, a jump of $50,-129,000. As a result, working capital ratio was only 1.4 against 2.7 at end of 1939. This is a tight working capital position, but Government payments have financed the company's war-time expansion. There is no short-term debt, and long-term debt of $6,491,000 outstanding in 1939 has been retired. That is, of course, a real and important gain. Cash, while greatly increased, barely equals accounts payable and tax accrual.

Ruberoid

(in millions)

	12/31/43	Change from 1939
ASSETS		
Cash	$3.187	+$0.813
Marketable Sec.	0.550	+0.496
Receivables	2.843	+1.049
Inventories	3.299	+0.250
Other cur. assets	—	—0.232
TOTAL CUR. ASSETS	9.879	+2.376
Property	16.609	+2.895
Less dep.	7.305	+2.164
Net property	9.304	+0.731
Other assets	0.396	+0.182
TOTAL ASSETS	19.579	+3.289
LIABILITIES		
Accts payable	1.174	+0.265
Tax accrual	0.320	+0.159
TOTAL CUR. LIABS.	1.494	+0.424
Reserves	1.361	+0.828
Capital	13.034	—
Surplus	3.690	+2.037
TOTAL LIABS.	19.579	+3.289
WORKING CAPITAL	8.385	+1.952
Current Ratio	6.6	—0.4

Aviation Corporation

(in millions)

	11/30/43	Change from 1939
ASSETS		
Cash	$7.994	+$6.224
Receivables	5.426	+ 5.068
Inventories	12.096	+10.810
Other cur. assets	—	—0.129
TOTAL CUR. ASSETS	25.516	+21.848
Property	3.635	+1.355
Less deprec.	1.572	+0.974
Net property	2.063	+0.381
Other assets	14.451	+7.701
TOTAL ASSETS	42.030	+29.930
LIABILITIES		
Notes payable	7.750	+7.750
Accts payable	3.988	+3.482
Tax accrual	2.004	+2.004
TOTAL CUR. LIABS.	14.430	+13.847
Short term debt	0.884	+0.884
Reserves	1.400	+1.071
Capital	17.381	+5.652
Surplus	7.935	+8.476
TOTAL LIABS.	42.030	+29.930
WORKING CAPITAL	11.086	+8.001
Current Ratio	1.8	—4.5

Balance sheet of Bullard Company, a machine tool maker, is worth study because it is a kind of preview of the "coming down to earth" phase that most war-active enterprises will eventually go through. Machine tool volume was sharply lower in 1943 than in 1942. As a result, cash

items declined from $13,012,000 to $4,089,000; total current assets from $24,952,000 to $10,591,000; total assets from $30,622,000 to $15,880,000. On the other side, total current liabilities declined from $21,854,000 to $6,948,000. The "shaking down" process is not yet completed. When it is finished, Bullard's net improvement for the war period in financial strength and liquidity will prove to have been quite modest in relation to the huge volume of war work done. As of end of 1943, net working capital of $3,642,000 compared with $1,403,000 in 1939. As between the two years, difference in inventory alone would be sufficient to more than account for increment in working capital.

Balance sheet of Celanese Corporation shows an increase of $17,576,000 in net working capital since 1939 to total of $38,539,000, of which cash or equivalent amounts to $25,748,000, an increase of about $8,103,000. The current ratio of 8.3 compares with 4.7 at end of 1939, and represents an impressive liquidity—until one notes that over the same period long-term debt has increased by $19,459,000 and stock capitalization by $4,122,000. This is a "growth company" that is more or less chronically in need of funds for facility expansion. Net property account has increased $19,614,000 since 1939 and the company is now about to raise substantial additional funds through stock financing for future expansion in chemicals and plastics.

Chrysler has experienced the great inflation of current assets, current liabilities and net working capital familiar in active war producers—also the typical decline in financial liquidity ratio. The current ratio is down to 1.9 against 2.9 at close of 1939. But it has financed its war production out of Government payments and own resources. There is no debt, no increase in stock capitalization; and net property account is carried at $16,140,000 less than in 1939. In the war-work wind-up, net working capital will shrink greatly but probably remain moderately large than pre-war and in any event fully adequate to the company's needs.

Ruberoid is strongly situated in the building materials field, with an excellent long-term dividend record. This balance sheet is chiefly interesting in that the changes during the war period to date have been so modest. Current assets are up only from $7,503,000 to $9,879,000; current liabilities from $1,070,000 to $1,494,000; net working capital from $6,433,000 to $8,385,000. Current ratio is down nominally from 7.0 at end of 1939 to 6.6 at close of 1943. Even relative to expected large post-war business, financial position appears fully adequate.

Aviation Corporation owns manufacturing subsidiaries which last year produced over $72,000,000 worth of war equipment but is additionally an investment trust with large holdings in Consolidated Vultee Aircraft, New York Shipbuilding, American Airlines, Pan-American Airways and American Central Manufacturing Company. Reflecting war work of direct subsidiaries, balance sheet shows the familiar war-contractor inflation of current assets and current liabilities, with large shrinkage in current ratio. Since manufacturing ventures are so greatly in the aircraft field, this balance sheet of course is in for a post-war deflation, but with a return to a substantially highe[r] current ratio even at the lower pos[t]-war level of net working capital.

One of the interesting aspects o[f] this balance sheet is that—low as ai[r]craft and shipbuilding stocks a[re] priced in the market—they are pric[ed] still lower as carried by Aviatio[n] Corp. It carried total such inves[t]ments at $11,774,000 whereas eve[n] in a market that seems very beari[sh] on airplane and shipbuilding equ[i]ties, the company's investment hol[d]ings had a value of $20,007,000. S[o] great is the prevailing—and perha[ps] justified—skepticism as regards po[st]-war prospects in most of the fields i[n] which Aviation Corporation is co[n]cerned, that the stock commands [a] price of only 3⅞ on market ass[et] value of $6.26 for its investmen[ts], allowing nothing for other assets.

Debt Decline to Spur Futu[re] Business

(Continued from page 659)

more than balanced the decline [in] old mortgage debt. The latter f[ol]lowed a steady downward cou[rse] since 1930 when a peak volume [of] $32.6 billion was outstanding. Th[e] decline carried the volume down [to] $27.8 billion in 1941. In 1942 it ro[se] for the first time in almost [a] decade, to $28 billion. Advanci[ng] real estate prices had probably som[e]thing to do with the reversal, ten[d]ing to exaggerate its real significan[ce]. With the revival of private buildi[ng] after the war, a more drastic [re]bound probably leading into [a] strong long term uptrend is in[di]cated.

The virtually horizontal decli[ne] of the private debt structure sin[ce] the war is in marked contrast to t[he] nation's experience in the Fi[rst] World War when private debt a[d]vanced in almost every major ca[te]gory leading into the sustained u[p]trend of the Twenties. During t[he] present conflict, we have witness[ed] so far a tremendous swelling of t[he] public debt accompanied by a mo[re] or less rapid falling off of priv[ate] indebtedness in virtually every fie[ld]. What about the future? More es[pe]cially, is the decline in corpora[te] debt to continue?

Logically, the answer must be n[o] for two reasons, just as two facto[rs] eventually requiring automatic a[d]justment were responsible for t[he] long term downtrend since 19[30]. The latter, until the outbreak of t[he] war, was stemming essentially fro[m] the economic unsettlement of t[he]

hirties, the consequent dearth, if ot stoppage, of private investment r expansion and modernization ndered unnecessary or uneconomic y the depression conditions of that eriod. Obviously, industry in many elds will have to do a lot of "catching up" in order to sustain output.

Since the war, capital needs for the nprecedented industrial expansion equired by the war effort were largey satisfied by Government sources, hus once again private industry was ot obliged to expand its indebtedess as public debt substituted for rivate debt. It would, of course, be ighly fallacious to regard the deline in private debt as an offset to he rising public debt.

Rather, as we go back to a peaceconomy, a reversal in debt trends is kely to get under way as industry egins liquidation of Government oans and credit used for war-time perations, and prepares for peace roduction. This process in all its ide ramifications will call for creaion of new private debt, long and hort term, since war-time taxes in many cases prevented the building p of adequate resources to meet ransitional and longer term capital equirements. Then there is the forementioned "catching up" to be one; whether it takes the form of cquisition of Government-owned acilities or the building of new ones, t will have to be financed with priate debt eventually.

This reverse trend is already in he making as witness the rising olume of V-loans arranged by many orporations to facilitate transition. n effect, they form a bridge from public financing back to private inancing. Already authorized Voans, guaranteed by the Government but arranged with private redit institutions total over $6.5 billion; of this, some $1.9 billion are ctually outstanding. As reconverion proceeds, the volume of such oans will swell substantially and with it, the trend of private debt will gain turn upwards to take over where war-time public financing eaves off.

As previously indicated, the reducion of corporate debt during the war constitutes a clear-cut example of cause and effect. The war brought about sharply increased revenues but simultaneously prevented normal replacements or expansion, hence expanded income and cash reserves were applied to the repayment of debt. As the cause disappears, so will the effect. Yet the basic financial condition of the individual enterprise has unquestionably been strengthened thereby, enhancing its

capacity for post-war expansion. Viewed from this angle, temporary substitution of Government financing, or Government debt for private debt creation, has no doubt been salutary and above all has been a major factor in preventing unhealthy debt expansion. It should be felt beneficially long into the post-war period when private financing and debt creation will again assume its rightful place in our economy, by imparting stability and solidity to the investment market of the future. Installment credit will be in a sound position to finance upward of $9 or $10 billions of trade a year, preponderantly in durables.

Selecting Best Stocks in the Most Promising Industries

(*Continued from page* 654)

in 1939 and 98 cents in 1940. For the nine years 1935-1943, the average annual net was $1.19 a share, but in the average was $2.05. As a real the average was $2.05. As a real building boom is indicated for the postwar period, it would be fair to assume that Celotex should be able to exceed $2 a share annual average during the years of high building operations.

Dividends on the common stock were 60 cents a share in 1937, a 100% stock dividend in 1938, $1.12½ in 1941, 75 cents in 1942 and 50 cents in 1943. As a result of capital changes in 1943, the common stock was substantially increased, and the preferred shares increased and a reduction made from $100 to $20 in its par value. Regular dividends have been paid on the old and new preferred to date. There was also a former 4½% debenture bond issue which was retired and a new bond issue sold during the past year.

The present outstanding securities consist of $3,000,000 3¾% debentures due in 1955, 156,862 shares of $20 par value 5% cumulative preferred and 755,434 shares of no par value common stock. During the latter part of 1943, 117,024 shares of new common were sold by the company at $10.50 a share.

At the end of October, 1943, the company had $7,815,943 current assets, consisting of $2,863,085 cash, $150,000 U. S. bonds, $2,669,788 receivables and $2,133,070 inventories. Current liabilities were $3,189,341, leaving $4,626,602 working capital. The latter figure as based on the common stock alone equalled $6.13 a share on that stock, while it had a book value as of October 31, 1943, based on the present outstanding common shares, of $8.09 a share. Both the net current asset and book value figures, however, should be higher, as more than half of the new common stock referred to above was sold after the October 31, 1943, balance sheet was made up, and the additional cash received would add proportionately to the net current assets and the surplus.

Market prices for Celotex have been low in recent years. The stock has not been above 15 since 1939. It made its best figure for the present common at 24⅛ in 1937, while the lowest figure reached was 5 in 1940.

Celotex has some important investments which have not as yet brought it any return but which may be expected to do so in the future. The largest of these is in Certain-teed Products common stock, consisting of 147,260 shares. For many years, Certain-teed had deficits, but results in 1941 to 1943 were good, with $2.11 a share, $1.42 and 49 cents respectively, for an average in the three years of $1.34. The decline in government building during 1943 accounted for the falling off in earnings last year, but Certain-teed is believed to have good prospects for earnings in the postwar period. It is a large maker of roofing and building materials, gypsum products, newsprint paper and similar products, also manufacturing linoleum. Certain-teed owns 180 square miles of timber lands in Canada, through a subsidiary. Stockholders of Certain-teed are to vote on April 12th on a recapitalization plan which will result in the elimination of back dividends on the preferred stock through an issuance of new securities. While this plan will result in increasing the amount of the common stock outstanding, it will improve the company's finances and should ultimately be of benefit to the common stock now owned by Celotex.

Another investment is in the Celotex, Ltd., foreign subsidiary of the Celotex Corporation, in which it has invested $733,260. The post-war outlook for building operations in the British Isles is bright and this company, in time, may bring a large return to the parent corporation.

South Coast Corporation is controlled by Celotex. This is a sugar plantations company, with lands in Louisiana. An interest in it was acquired nearly twenty years ago, for the purpose of assuring Celotex an adequate supply of bagasse, and control of it was obtained in 1943 by purchase of a large block of stock from Phoenix Securities. Celotex also had advanced about $1,900,000 to South Coast during the 1920s for the latter's development and for working capital, and in return obtained a contract from South Coast for the latter to sell its entire output of bagasse to Celotex until 1950. Celotex has similar contracts with other Louisiana sugar producers with the base price of bagasse set at 50 cents a ton. Celotex owns 18,9[illegible] shares of South Coast 4% preferred stock on which there are dividend arrears of $24 a share and 129,67[illegible] shares of South Coast common. These investments are carried on the Celotex books at $438,540, but they have a market value more than four times that sum.

South Coast also has an interest in the South Coast Oil & Development Co. which has contracts to develop crude oil production on the South Coast Corp. lands in Louisiana. Under the contract, all of the receipts from such oil development are to be paid to the South Coast Corp. until the total paid reaches the sum of $1,733,180, and also the Corporation has the right to acquire from the Oil & Development Co. all further income of the latter upon payment to it of $750,000.

Other companies owned or controlled by the Clotex Corporation include American Gypsum Co., Gulf Gypsum Co., Superior Insulations, Inc., and a rock wool manufacturer in Detroit. Its own main plants are located near New Orleans, with other plants at eMtuchen, N. J., and Marietta and Clinton, Ohio.

Celotex was originally formed in 1920. Early results were good, but serious losses occurred in the early 1920s, resulting in receivership, with reorganization completed in 1935. It has been gradually straightening out its complicated affairs, and with the recapitalization in 1943 and the pending recapitalization of Certain-teed Products, its financial affairs are on a sound basis. In the period after the war, some return on its investment in Certain-teed can be expected, while there are prospects for larger income soon from its South Shore Corporation investments. The postwar outlook for its British subsidiary is promising.

The rounding out of the business with many other building products added in recent years should make Celotex a leading factor in the post-war building boom. Average annual earnings of better than $2 a share on the common stock are visualized and there is a basis for an enhancement in market value of the stock of large proportions percentagewise.

Borg-Warner Post-War Potentials

(*Continued from page* 675)

and increased only nominally as against 1939, leaving the basic cost structure almost unchanged. Current plant facilities, incidentally, are regarded adequate for considerably stepped up peacetime production; in all probability it can take care of any conceivable production demands in the foreseeable future.

The bulk of augmented working funds was principally used to strengthen cash position and finance receivables. The latter item rose sharply during the war years, due to the employment of a great number of sub-contractors. But inventory expansion throughout the war was relatively moderate, and since 1941 declined. The total of roughly $22 million compares with the concern's net worth of about $57 million, a fairly favorable showing for a war contractor of this magnitude. Quick assets, that is current assets less inventories, of $79 million exceed current liabilities of $64 million and the over-all picture is one of sound liquidity. Working capital of $37 million is some 50% above 1939, an increment uncompromised by any rise in debt of which in fact there is none. The outstanding 2,336,722 common shares of $5 par value is the only capital issue. There is no funded, short term or long term debt. While the company's wartime financial improvement is relatively moderate, it is also genuine to a far greater extent than that of many other waractive companies, a testimony to the conservative financial policy of management in peace and war. The wartime impact on finances is clearly portrayed in the accompanying table of pertinent statistical data, with changes in current asset value, book value, net current asset value and cash asset value illustrating the relative shifts which have occurred in the company's financial structure.

Working capital, while adequate for normal peacetime requirements, may however not suffice fully if postwar output, as confidently expected, will for a time greatly exceed average peacetime volume. To finance it, on top of meeting reconversion demands, may impose somewhat of a strain which explains the concern's commitments for VT loans. They are intended not only for reconversion but for subsequent needs for working funds as well. But postwar potentials are such that employment of additional funds can hardly detract much from future earnings possibilities.

In view of the firm's excellent record, sound and progressive management and outstanding future prospects, Borg-Warner common stock is regarded as one of the most attractive issues in its field. From the investor standpoint, the stock over the longer term has proved a satisfactory investment though dividend yield, currently about 4.2%, was never particularly high. Considering the cyclical factor which always looms large with a company of this type, long term average earnings of 7.10% on the common stock price constitutes a fairly good showing and the unbroken dividend record since the concern's organization in 1928 is an additional sign of relative stability in a field known for its wide fluctuations during the business cycle. On this score alone, the common has no doubt a measure of investment merit. Ten year average dividends, per share, amounted to $1.63, about the same as 1943 and 1942 disbursements, and afford a return of about 4.3% on the current market price as against a return on ten year average earnings of 7.10%. By comparing ten year average per share earnings of $2.66 with the ten year dividend average of $1.63, one gets a picture of the conservative and purposeful financial policy consistently adhered to.

On basis of future prospects, the stock, currently selling about eleven times estimated 1943 earnings of $3.30 per share appears moderately priced. Recent market price of 37½ is close to the 1943 high of 39 and the 1944 high of 38⅜ but still considerably below the 1937 high of 50⅝. In that year, per share earnings were $3.63 or only little above 1943 results while sales volume came to some $90 million. Since postwar volume, after full reconversion, may exceed 1937 by at least 25% and reach something like $120 million, appreciation potentials are obvious. For the moment, however, the incidence of reconversion and transition coupled with prospective capital needs for financing high postwar output appears to retard discounting of these prospects marketwise.

The stock's intrinsic value is highlighted by the relatively high cash asset value of $14.13 per share, only a trifle below net current asset value of $15.73. Book value of $24.57 per share constitutes about 65% of the current market price of $37.50.

For reconversion, the company has set aside a contingency reserve of $4.5 million which includes financial protection against contingent liability under renegotiation proceedings on 1942 income so that no reduction of 1942 income is in prospect on that score. All in all, the company since its inception in 1928 had aggregate net earnings of $69.91 million of which $42.75 million were paid out in dividends, a ratio of 61.14%. The remaining undistributed earnings have been used to build up working capital, provide for additional plants and equipment, and for retirement in the past years of all of the outstanding preferred stock.

The corporation has 18,713 stockholders of whom 15,631 hold between 1 and 100 shares. Despite the cyclical factor, the common in the past displayed somewhat less than average volatility, due to the good dividend record. Price fluctuations in 1943 and 1944 were relatively narrow, the 1943 range being 39-26⅜, 1944 range 38⅜-34½ while in 1937, the price range was 50⅝-22¾.

For the duration, earnings can be expected to continue around current satisfactory levels. The company has an order backlog of some $225 million which would keep it busy for a considerable time ahead. While some cutbacks occurred recently, they were offset by permission to resume mass production of certain consumer goods, notably kitchen ranges, and limited output of refrigerators by the Norge division.

Six Stocks Offering Secure High Yields

(*Continued from page* 673)

dend appears reasonably secure. Any cut would be moderate and temporary (even a $2 rate would yield 4.87 per cent return on present price) and the possibility can properly be weighed against probability of postwar dividend reaching former rate of $4 eventually.

Pacific Gas & Electric has paid $2 rate for the past seven years, and ten-year average dividend figures $1.86; while 1943 net of $2.23 a share was only modestly under ten-year average of $2.36 despite war-time taxes. Company operates in a territory of growing population, which will retain at least some of its war-time influx. Like other strong utilities, it will benefit greatly from any degree of post-war tax reduction. The 6 per cent current dividend yield is regarded as secure and attractive.

Perfect Circle, the only Curb Exchange stock in our list, is a little known stock, usually inactive, but the company is long-established and with

a remarkably good record. Making piston rings, replacement demand provides far greater stability of earnings than is common in the automotive field—yet the company, now active in war production, will benefit from the post-war heavy production of autos both directly, and secondarily as increased new car output swells the potential for future replacement piston ring demand. The tabulated record speaks for itself, and for stability is much superior to the records of much more widely known automotive equities.

Standard Oil of Ohio has been mentioned before, as has Columbia Broadcasting, in our Profit and Income department; and need not be further discussed here except to point out—as the tabulated record shows—that among the strong oils it is by a wide measure one of the cheapest on a conservative investment basis, since it is priced at only ten times ten-year average earnings, about eight times 1943 earning power and currently yields 5.8 per cent dividend return.

While these six stocks were selected with primary attention to income, in the writer's opinion they collectively have a fairly substantial longer-term appreciation potential as well, perhaps most pronounced in the instances of Commercial Credit, Chesapeake & Ohio and Standard Oil of Ohio.

To What Extent Government Partnership in Industry

(Continued from page 665)

production-meaning jobs—it would not surprise if an effort were made to find principally outlets abroad where demand certainly will be enormous for all kinds of goods and commodities. It is understood that machinery to this end is already in existence.

Other reconversion policies and their controversial aspects could be mentioned as greatly contributing to the clash of opinion between Government and business. The future of present bureaucratic controls as a whole, including production restrictions, quotas, materials allocations and the manner of their eventual relaxation and abandonment is ever in the mind of business since their handling lends itself readily to discriminatory or unfriendly actions of all sorts. Even the Baruch-Hancock report, blueprinting reconversion, has done little to still the debate, to assuage apprehension over what is ahead. The former received new fuel by President Roosevelt's recent executive order, over the head of Congress, paving way for the appointment of an administrator for the newly created Surplus War Property Administration. While the new agency follows in part the pattern laid down in the Baruch plan, the President in creating it ignored the suggestion that the agency should be set up by Congress. Both business and labor deplore that the procedure thus fails to provide for any representation of the functional groups concerned, that is labor, management and the farmer.

Then there is the matter of future tax policy, the fear of tax-supported competition by preferential tax rates for small business to counteract the trend towards bigness in industry. While little can be said at this time about exact Government intentions, the tax question after the war promises to become one of the hottest controversies. Meanwhile we have the word of authoritative Government spokesmen that generally, it will be the policy of the Administration to avoid tax policies that impair consumer's ability to buy or discourage investment of risk capital; that taxes should bring in necessary revenue and encourage the largest possible national income. Superficially, this means all things to all men; it also has certain ominous connotations pointing in no uncertain terms to the intention of using the tax lever as a powerful weapon in a supplementary economy. As such, it cannot but add fuel to the rising controversy on the role of taxation in our postwar economy.

Indicated Government intention of a radical revision of the patent laws, the avowed desire to establish itself, or rather remain in the field of scientific and industrial research to aid small business are other straws in the wind pointing to the possibility of fundamental changes ahead.

In the foreign trade field, we find an official economic policy slowly emerging but we have by no means all the pieces to make a comprehensive whole. The real issue behind the fight over cartels is whether policies of restriction or expansion are to prevail both in domestic and international trade. Right now, plans are being made for an international conference to consider the postwar role of cartels and to lay the groundwork for our future international commercial and economic policy in cooperation with our leading Allies. The decisions will affect not only foreign traders' but virtually every phase of our domestic economy.

The British, we hear, told us flatly that unless this country enters with them into international commodity agreements, cartelizes its foreign and domestic trade and repeals its anti-trust laws, they will be forced to join with continental Governments in a world trade alliance excluding the U.S.A. While such a threat is no doubt more irritating than dangerous, it is something worth pondering. Inside Government as well in the ranks of business, opinions on the subject are by no means in agreement. In fact, a considerable under-cover dispute on the merits of cartelism is said to be raging all over Washington. While the Department of Justice through its Anti-Trust Division has focussed public attention on the malpractices of cartels, there is nothing inherently evil about their operations nor is the abuse of privileges any more confined to cartels than it is to corporations. The big question is: Should the Government legalize the activities of cartels and enact legislation to regulate them? Are internal cartels necessary to protect domestic markets, find outlets for surplus materials and manufactures, and to maintain employment at high levels? The last word on the subject has not yet been spoken but meanwhile the Department of Justice is relying upon the traditional American aversion to monopoly in its fight against cartels at home and abroad. In the wheat and sugar agreements entered into by the Department of Agriculture, the Government itself has been fostering commodity cartels. It may find them equally useful in other fields, should a planned economy eventuate after the war.

As to foreign trade policy, general administration thinking reveals some rather startling ideas. The problem as viewed in some quarters is much broader than free trade versus protective tariffs. It involves such fundamental matters as making the world's natural resources available to all nations, Government stockpiling of large quantities of scarce materials against future emergencies, financing economic projects abroad (Arabian oil pipe line) and general supervision if not complete control of certain foreign trade and international business dealings.

It goes without saying that such major policies cannot be formulated, much less implemented except under an umbrella of close Government supervision. If so, they run directly counter to the ideas entertained by proponents of free enterprise. The uproar created by the Arabian pipe line scheme is ample

proof for this. It is, however, not so much because of the foreign angle as it is generally realized that foreign trade after the war must necessarily be conducted at least for some time in close alignment with official policies. But the effect of such policies on the home economy is another thing, and it is with this that business as a whole is primarily concerned.

In its essence, Government policy and planning, as it is assuming more concrete shape, may be summarized as anti-monopolistic, anti-big business and pro-small business. The avowed aim: Greatest possible spreading of opportunity and employment in a competitive economy. Some of these terms sound harsh and call for modification. If Government is opposed to the growing concentration of industry, it does not follow that it is seeking the destruction of our industrial giants. The remedy it is likely to apply will be increased supervision and control, and remedial action against monopolistic practices. This of course can take many forms, good and bad, and if done unwisely or spitefully can lead to serious unsettlement

Official pre-occupation with the welfare of small business ties in directly with official antipathy against big business but additionally reflects recognition of the importance of small business to our economic structure as a whole. It is my belief that future Governmental action in the economic sphere will primarily center around this main motif. Small business has particularly suffered from war-time restrictions and requires special attention if these important private enterprises are to play their essential roles, as employers and producers, in the peace era. Properly nurtured and protected, small business, so it is believed, will become an efficient factor in arresting growing industrial concentration and in restoring healthy competition.

It appears doubtful whether the socializing aims attributed to the more radical postwar planners in and out of Government will ever become part of Government policy. If they do, it can be stated with conviction that the prospect of their ever being translated into action are extremely slim. An increasingly conservative Congress will see to that. But there is no blinking the fact that our economic structure is in for considerable overhauling to attune it with the needs of a new world. To do it efficiently and wholeheartedly is the best guarantee for survival of private enterprise.

As I See It!

(Continued from page 649)

afford to ignore this; to do so would be far more harmful than a temporarily restive public opinion. Notwithstanding its silence, Washington is no doubt aware of this.

The fate of the Atlantic Charter at this time is attracting particular attention in view of current discussions in Britain and other countries, and Prime Minister Churchill's intimation that further clarification of the Charter may become necessary. What everyone on both sides of the Atlantic is most anxious to know is whether the Atlantic Charter still means what it says about the rights of all States, large and small.

Mr. Hull's statement does not answer the questions regarding specific states, but it does stress the Atlantic Charter as one of the bases of our foreign policy. As such, it will no doubt continue as an important plank in our platform for international cooperation and world peace. As to its practical application in the light of political actualities, an enlightened perspective appears to be called for.

The Charter was formulated at a time when Europe, in the throes of desperation, was badly in need of spiritual support, pending arrival of more practical help. Whatever the degree of expediency that contributed to its birth, it served its purpose well as a rallying point for the down-trodden and a promise of a better world to come. But it would be erroneous, and certainly impractical, to read into the Charter a rigidity of policy which was never intended. While we are ready to stand by its principles, realities will force us into elastic, not dogmatic application. To be a living document of fundamental policy, the Charter must be attuned to the world we shall live in after the war. In the fulfillment of its pledge, there must be a degree of latitude which alone can assure realization of the high-minded principles embodied therein. Viewed from this realistic perspective, we find that the Atlantic Charter and the Moscow Declaration not only are not in conflict but can well supplement each other. Their translation into actualities, however, must not be expected overnight; for some countries, it may be a slow, perhaps a painful process. In some instances, it cannot be otherwise.

The pledge of the Atlantic Charter implies an obligation for each nation to demonstrate its capacity for stable and progressive Government. Such demonstration will almost certainly be insisted upon. Some smaller nations may only pass the test if in close alignment with a major power able to impart a degree of stability, political and economic, which otherwise might be difficult to obtain. In short, the Atlantic Charter must be looked upon as an instrument for world peace not by harnessing its guarantors to the chariot of certain rigid precepts but to benefit the world by wise and fitting implementation in harmony with the environment that will come with peace.

It is clear that today no Government can consciously undertake to outline in detail policies while still subject to the vagaries of war and war-created political repercussions. The war is still to be won, the grand assault on the Continent pending. Russia is moving ever closer to Germany. Changes in ideas and plans will come with each victory or setback. We must expect it. Human beings are like that. But it will not mean the goal will be lost sight of.

We Americans do not have to be told what our goal is. It is in the deep underlying current of the future which must work itself out on natural lines, of which the movements today are merely the ripples and eddies. A glance at the map herewith will show that our geographical position calls for a greater strengthening of our ties in the Pacific and that the cornerstone of such an alliance would be Russia, whose land nearly touches our own at the top of the world; that our strength will bind us with England; and our increasing power and strategic position in the Pacific is sure to cement firm and friendly relations with Australia, New Zealand, and Canada, which together with the strength we are building up in South America, particularly in Brazil, would tend to produce a solidarity that would be the greatest agent for stability the world has yet known. It would do more to insure the future peace than any other lines possible. It would bring hope and comfort to mankind—and a new world as fine as those livng in it would permit it to be. It's worth fighting for!

BACK THE ATTACK
BUY WAR BONDS

Answers to Inquiries

(Continued from page 682)

and 8,160,211 shares of common stock. Consolidated fixed assets are carried at approximately $423,000,000 before reserve of about $56,000,000.

The new common stock was listed on the New York Stock Exchange in 1943 and has had a price range of: high 22, low 18¾, last 20. The company paid an initial dividend of 30 cents on the new common stock on September 30th and a similar amount on December 31, 1943. Whether or not the directors of the company intend to place the stock on a $1.20 annual dividend basis is not definitely known but if so, based on such a rate and the current market price of 20, the income yield is 6 per cent. At present market price the stock is selling at a low ratio to earnings than utility common stocks are of equal quality. While the new common stock is rated above average we would prefer to buy it around the 18-19 level.

Important Shifts in the Textile Industry

(Continued from page 672)

a share on the common stock. The stock has a book value of over $43 a share. Poor as the outlook for cotton goods may be beyond a year or two after the war, it would appear that United Merchants has fully armed itself with the financial strength to meet the intensely competitive conditions which may develop.

Consolidated Textile Co., Inc., is almost entirely a cotton goods maker. This company succeeded a corporation of the same name, in reorganization in 1938. The old concern had a poor earnings record and the new one started out with deficits, but showed earnings in the war years, with 97 cents a share for 1941, $1.56 a share in 1942 and $1.45 in 1943, for the year to August 31. Consolidated is a leading maker of fancy cottons, flannels and sheetings. The stock sells at a low figure in relation to recent earnings, but it reflects the doubtful position of the cotton goods business in the postwar period.

Pacific Mills operates woolen goods plants in Lawrence, Mass., and cotton goods plants in South Carolina, also having some business in rayons. Despite small capitalization, consisting entirely of 396,123 shares of no par value capital stock, its prewar earnings record was mostly poor. Deficits were shown in more years from 1930 to 1940 than profits, yet startling changes occurred, such as from a deficit of $1.15 a share in 1935 to a profit of $3.69 in 1936, then $5.24 a share deficit in 1937 and $6.11 deficit in 1938, to $2.17 profit in 1939. In 1940, there was $1.15 deficit, but the best profit of the whole period followed, with $14.83 net in 1941. Dividends were omitted in more years than paid, over a long period, but in 1942 and 1943, dividends of $2 each were declared. The market for the stock had wide changes, in keeping with the fluctuations in earnings through the years. A feature of the stock is that it sells far below the net current assets, and less than 40% of its book value.

Two companies distinctly identified with cotton goods are Cannon Mills Co. and Pepperell Manufacturing Co. Cannon is mostly interested in making towels, sheetings and pillow cases, but also has activities in cotton yarns, tire fabrics, rayon yarns, mats, draperies, etc. Cannon has had an exceptional earnings record for many years, consistently showing $3 to $4 a share annual income, with occasional years of $2.25 to $2.60, and it has had a good dividend record, also maintaining a high current asset and book value position. Cannon should do well even under the expected severe conditions of the postwar period. Pepperell has paid dividends every year since the 1850s and has had average earnings of good size, but in some years had sharp reversals to deficits. It makes a wide variety of cotton goods. It may not have high average earnings after the war, but on its small capitalization of only 100,000 shares, should be able to maintain its unbroken dividend record.

American Woolen Co. is the largest in the textile field, and its gross business in 1942 and 1943 totalled over $400,000,000 for the two years. Earnings have been very large in the past four years, but before that, deficits were the rule and some of them were serious. The company is almost entirely interested in making woolens and worsteds for clothing, woolen blankets, etc. Foreign competition has been its chief worry, and in peace times, even in the later 1920s, this caused deficits. Huge profits were made in the period of the First World War. The preferred stock has $72.50 a share arrears at present. Despite these handicaps, the common stock has some speculative appeal for a time. This is dependent on whether a successful working off of the accumulations on the preferred is accomplished by the company, with current reports of a plan to issue a new preferred to take care of this. For several years after the war ends in Europe, American Woolen may hold a high place in the domestic market, for Europe is believed to be almost bare of woolens and may not only be unable to send any to compete here for a period of three to five years after the war, but it may have to look to this country for woolen goods, blankets, etc., for the first year or two after hostilities cease. In the course of time, however, strong foreign competition in the woolen goods market can be looked for again.

The stocking manufacturers are part of the textile business. They seem to have a year or two of very good business coming to them after the war, for they will have a large variety of yarns to choose from when war restrictions are removed, including better grade rayons, nylons, cotton mixture and cotton, also possibly some of the new synthetic threads, and of course, silk can be expected to come back to some extent when the Japanese are defeated. Supplies in civilian hands are small, while the ladies are said to be eager to get nylons in quantity, and some yearn for silk stockings again. This is a very competitive field and here, also, in the course of time, earnings may work back to prewar levels.

Adams-Millis Corporation is one of the largest makers of hosiery in the industry, specializing in lower-priced goods. It has had a good year-in and year-out earnings record, and even in such years of general loss as 1932, it had a profit of $1.03 a share. In every year after 1932, profits were better than $2 a share, with some at or near $4. Dividends have been paid in every year for a long period. In 1942 and 1943, payments were $1.75 each.

To sum up, prospects for all branches of textiles are excellent for the duration of the war, and export markets will be large for a year or so after the war. On a long-pull basis, however, securities in the cotton and woolen branches of the industry are, with very few exceptions, lacking in investment merit. Selected rayon makers have growth potentials, especially those which are diversifying in plastics and chemicals such as Celanese. For the big chemical and rubber companies that have entered or will enter the textile field, this will for some time be too small a sideline to be given major consideration in evaluating their stocks.

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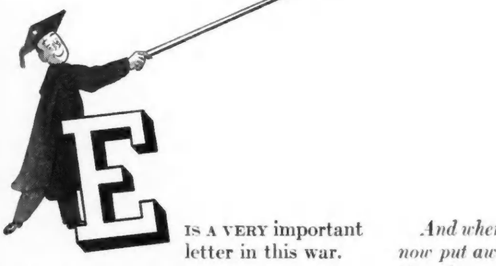
Some ABC stuff about E



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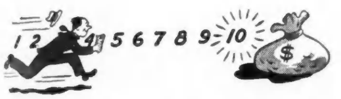

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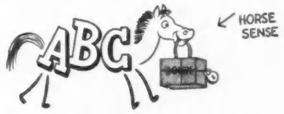

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